

Topic	Issues deliberated	Decisions of the Board	Status	Effective date	Next steps
<p>Proposed Interpretation on The Effect of Past Decisions About Materiality</p>	<p><i>Can decisions about materiality in a reporting period affect subsequent reporting periods?</i></p>	<p>The Standards of GRAP indicate that the principles in the Standards need not be applied if the effect of applying them is immaterial. Entities can apply alternative accounting treatments for immaterial transactions. In the past, preparers indicated that they were required to keep track of instances when the principles in the Standards were not applied because of materiality. This was to assess if the cumulative effect of these decisions became material in subsequent periods.</p> <p>The Board agreed that materiality is a period-specific assessment. Materiality is assessed during a reporting period and at the reporting date. Materiality is assessed based on all the relevant facts and circumstances that exist at the time of assessment.</p> <p>This means that past decisions about materiality do not affect future reporting periods. Retrospective adjustments will not be required in subsequent periods for past decisions on materiality, unless an entity made an error.</p>	<p>Exposure Draft issued for comment.</p>	<p>To be determined.</p>	<p>Public consultation on Exposure Draft. Comment deadline 26 February 2021.</p>
	<p><i>When would an error occur in the application of materiality?</i></p>	<p>The Board agreed that the following instances would indicate that an error has been made in the application of materiality:</p> <p>(a) Immaterial items are omitted from the financial statements.</p>			

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<p>Proposed Interpretation on The Effect of Past Decisions About Materiality (Continued)</p>	<p><i>When would an error occur in the application of materiality?</i></p>	<p>(b) An inappropriate alternative accounting treatment is applied because of a failure to use, or misuse of, reliable information that was available or could reasonably have been expected to be used at reporting date.</p> <p>(c) An alternative accounting treatment is applied to immaterial items to achieve a particular presentation in the financial statements.</p> <p>(d) An incorrect assessment of materiality is made resulting in material transactions being accounted for as immaterial transactions.</p>	<p>Exposure Draft issued for comment.</p>	<p>To be determined.</p>	<p>Public consultation on Exposure Draft. Comment deadline 26 February 2021.</p>
	<p><i>If an accounting policy (based on the Standards of GRAP) is adopted in a reporting period for transactions that were previously immaterial, is it a change in accounting policy?</i></p>	<p>The Board noted that these are not changes in accounting policies. The Board based its decision on paragraph .17 of GRAP 3 on <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> which indicates that:</p> <p><i>“The following are not changes in accounting policies:...</i></p> <p><i>(b) the application of a new accounting policy for transactions, other events or conditions that did not occur previously or that were immaterial;...”</i></p>			
	<p><i>Once an entity has adopted an accounting policy for certain transactions, can it still apply materiality?</i></p>	<p>The Board observed that similar items, transactions or events (“items”) could occur in a particular reporting period and could be both material and immaterial. For example, computer equipment, some of which may be immaterial like computer peripherals, while others, such as laptops and servers, may be material.</p>			

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Proposed Interpretation on The Effect of Past Decisions About Materiality (Continued)	<i>Once an entity has adopted an accounting policy for certain transactions, can it still apply materiality?</i>	<p>The Board agreed that it would be possible to have alternative accounting treatments and accounting policies based on Standards of GRAP being applied to similar items, based on materiality.</p> <p>The materiality of items would need to be assessed on an individual and collective basis. The effect of materiality should be considered for both current and future reporting periods.</p>	Exposure Draft issued for comment.	To be determined.	Public consultation on Exposure Draft. Comment deadline 26 February 2021.
	<i>What transitional arrangements should be applied by entities when adopting the proposed Interpretation for the first time?</i>	As materiality is a period specific assessment, the Board agreed that the proposed Interpretation should be applied prospectively. Entities would not be required to reassess their past decisions about materiality.			

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<p>Proposed Research Paper on Application of Standards of GRAP by Small Entities</p>	<p><i>What was the purpose of the research?</i></p>	<p>Stakeholders raised concerns with the Board about the ability of small entities to prepare financial statements in accordance with Standards of GRAP. The Board agreed to research the financial reporting environment of small entities to establish what issues these entities face, and to consider an appropriate response to assist these entities.</p> <p>The research focused on identifying:</p> <p>(a) The characteristics that could be used to classify entities as small.</p> <p>The issues experienced by small entities to prepare financial statements in accordance with Standards of GRAP.</p>	<p>Final Research Paper issued.</p>	<p>Not applicable.</p>	<p>Communication of findings.</p>
	<p><i>When are entities considered “small”?</i></p>	<p>There is no universal definition of what is/could be considered a “small” entity in the public sector. The Board asked stakeholders what they considered to be a “small” entity.</p> <p>Stakeholders consulted indicated that entities could be considered “small” based on a combination of quantitative and qualitative characteristics. These could include:</p> <ul style="list-style-type: none"> • The value of revenue, expenses and an entity’s budget. • The number of employees. • The functions performed by an entity. 	<p>Final Research Paper issued.</p>	<p>Not applicable.</p>	<p>Communication of findings.</p>

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<p>Proposed Research Paper on Application of Standards of GRAP by Small Entities (Continued)</p>	<p><i>What issues do small entities face in preparing their financial statements in accordance with Standards of GRAP?</i></p>	<p>There were two types of issues identified – those that relate to accounting and those that relate to the environment within which small entities operate.</p> <p><u>Accounting issues</u></p> <ul style="list-style-type: none"> • accounting for non-current assets, including measurement and applying judgement related to determining useful lives, residual values and componentisation of assets; • the requirements in Standards of GRAP are often complex and difficult to interpret; • accounting for and disclosure of financial instruments; • keeping up to date with changes to the reporting framework; and • applying materiality, including determining appropriate accounting policies. <p><u>Environmental issues</u></p> <ul style="list-style-type: none"> • human resource and budget constraints; • not having daily or monthly controls in place, including proper record keeping; • placing undue reliance on consultants; and • an inability to meet all legislated requirements. 	<p>Final Research Paper issued.</p>	<p>Not applicable.</p>	<p>Communication of findings.</p>

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<p>Proposed Research Paper on <i>Application of Standards of GRAP by Small Entities</i> (Continued)</p>	<p><i>Should separate accounting and reporting requirements be developed for “small” entities?</i></p>	<p>Based on the issues identified and their underlying causes, the Board agreed that separate accounting and reporting requirements should not be introduced for small entities.</p> <p>The Board’s conclusion was based on a range of factors including the legislative environment, the impact that different reporting requirements could have on consolidations and other reporting requirements, stakeholder views, and the actions the Board could take to effectively address the challenges identified.</p> <p>The Board agreed that other initiatives could instead be taken, or have been taken, to address the concerns raised. Most notably, these include the Guideline on <i>The Application of Materiality to Financial Statements</i> (materiality guideline) published in 2019.</p> <p>The Board’s mandate limits its ability to respond to all the challenges that were identified. These will be discussed with those stakeholders that may be better placed to assist small entities.</p>	<p>Final Research Paper issued.</p>	<p>Not applicable.</p>	<p>Communication of findings.</p>

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<p>Proposed GRAP Reporting Framework for 2021/22</p>	<p><i>What changes should be made to the GRAP Reporting Framework?</i></p>	<p>The Board agreed that the following changes should be included in the GRAP Reporting Framework:</p> <ul style="list-style-type: none"> • The Standards of GRAP approved by the Minister of Finance for application by Trading Entities. • Directive 14 on <i>The Application of Standards of GRAP by Entities that Apply IFRS Standards</i>. <p>Entities may use Standards of GRAP that have been approved by the Board, but which are not yet effective, in formulating their accounting policies. Entities may not consider GRAP 104 on <i>Financial Instruments</i> (Revised 2019) in formulating their accounting policies. Once an effective date has been determined by the Minister, entities will be required to adopt the Standard in its entirety.</p>	<p>Approved.</p>	<p>Financial periods commencing on or after 1 April 2021.</p>	<p>Revisions to Directive 5 to be published.</p>