# ACCOUNTING STANDARDS BOARD

# DIRECTIVE

# TRANSITIONAL PROVISIONS FOR HIGH CAPACITY MUNICIPALITIES

# (DIRECTIVE 3)

**Issued by the**
**Accounting Standards Board**

**May 2010**

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**Directive 3**

# DIRECTIVE ON TRANSITIONAL PROVISIONS FOR HIGH CAPACITY MUNICIPALITIES

This Directive was originally issued by the Accounting Standards Board (the Board) in February 2008. Since then, it has been amended by:

- The transitional provisions for assets acquired and liabilities assumed through a transfer of functions in the absence of a Standard of GRAP dealing with those aspects (March 2009).
- The transitional provisions for the initial adoption of the following Standards of GRAP (July 2009):
  - GRAP 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)*
  - GRAP 24 *Presentation of Budget Information in Financial Statements*
  - GRAP 103 *Heritage Assets*
- The transitional provisions for the initial adoption of the following Standards of GRAP (November 2009):
  - GRAP 21 *Impairment of Non-cash-generating Assets*
  - GRAP 26 *Impairment of Cash-generating Assets*
- The deletion of text relating to transitional provisions paragraphs withdrawn in Standards of GRAP and the consequential re-numbering of paragraphs (February 2010).
- Amendments to paragraph .07 as a result of the Improvements to the Standards of GRAP issued in February 2010.
- The transitional provisions for the initial adoption of the following Standards of GRAP (June 2011):
  - GRAP 25 *Employee Benefits*
  - GRAP 104 *Financial Instruments*
- The transitional provisions for the initial adoption of the following Standards of GRAP (November 2011):
  - GRAP 20 *Related Party Disclosures*
  - GRAP 105 *Transfer of Functions Between Entities Under Common Control*
  - GRAP 106 *Transfer of Functions Between Entities Not Under Common Control*
  - GRAP 107 *Mergers*
- Consequential amendments following the revisions to the following Standards of GRAP in 2013:

- GRAP 5 *Borrowing Costs*
- GRAP 100 *Discontinued Operations*

- The transitional provisions for the initial adoption of the following Standards of GRAP in March 2014:
  - GRAP 32 *Service Concession Arrangements: Grantor*
  - GRAP 108 *Statutory Receivables*
- The transitional provisions for the initial adoption of GRAP 109 *Accounting by Principals and Agents* in December 2015.
- Amendments to the Directives made in March 2016 as a result of the amendments to the transitional provisions for the initial adoption of the following Standards of GRAP:
  - GRAP 105 *Transfer of Functions Between Entities Under Common Control*
  - GRAP 106 *Transfer of Functions Between Entities Not Under Common Control*
  - GRAP 107 *Mergers*
- The transitional provisions for the initial adoption of GRAP 110 *Living and Non-living Resources* in December 2017.
- The transitional provisions for the initial adoption of the following Standards of GRAP in May 2018:
  - GRAP 34 *Separate Financial Statements*
  - GRAP 35 *Consolidated Financial Statements*
  - GRAP 36 *Investments in Associates and Joint Ventures*
  - GRAP 37 *Joint Arrangements*
  - GRAP 38 *Disclosure of Interests in Other Entities*

# Introduction

## Directive

The Accounting Standards Board (Board) is required in terms of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), to determine generally recognised accounting practice referred to as Standards of Generally Recognised Accounting Practice (GRAP).

The Board must determine GRAP for:

(a) departments (including national, provincial and government components);

(b) public entities;

(c) trading entities (as defined in the PFMA);

(d) constitutional institutions;

(e) municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and

(f) Parliament and the provincial legislatures.

The above are collectively referred to as “entities” in Standards of GRAP.

The Board has approved the application of International Financial Reporting Standards (IFRS® Standards) issued by the International Accounting Standards Board® for:

(a) public entities that meet the criteria outlined in the Directive on *The Selection of an Appropriate Reporting Framework by Public Entities;* and

(b) entities under the ownership control of any of these entities.

Section 89(1)(b) of the PFMA requires the Board to prepare and publish directives and guidelines concerning the Standards of GRAP as set out in section 89(1)(a) of the PFMA. The *Preface to the Standards of GRAP* determines that directives will be used to set transitional provisions and transitional arrangements for the entities required to comply with Standards of GRAP. Directives issued by the Board in terms of section 89(1)(b) of the PFMA therefore have the same authority as the Standards.

Directives should be read in conjunction with the applicable Standards of GRAP and Interpretations of the Standards of GRAP, as well as the *Preface to the Directives.*

# Objective

.01 The objective of this Directive is to set the transitional provisions for high capacity municipalities.

.02 Standards of GRAP set out the recognition, measurement, presentation and disclosure requirements for financial reporting in the public sector in South Africa. This Directive should be read in conjunction with the applicable Standards of GRAP.

# Scope

.03 This Directive shall be applied by high capacity municipalities that adopt Standards of GRAP.

# Effective date

.04 This Directive shall be applied on or after the effective date of the applicable Standards of GRAP. The Minister of Finance determines the effective dates for Standards of GRAP.

**GRAP 1 *Presentation of Financial Statements***

**Transitional provisions**

***.05 All provisions of the Standard of GRAP on Presentation of Financial Statements (GRAP 1) shall apply on or after the effective date of the Standard, except in relation to items that have not been recognised and/or measured in accordance with other Standards of GRAP as a result of transitional provisions under those Standards of GRAP.***

.06 Transitional provisions in other Standards of GRAP take precedence over the requirements of GRAP 1. The requirements of the GRAP 1 will therefore not apply to an item until the transitional provisions in those other Standards of GRAP expire, and the item is recognised and/or measured in the financial statements.

***.07 Where an entity has taken advantage of the transitional provisions in other Standards of GRAP, the following disclosures shall be made in the financial statements:***

***(a) the fact that the entity has taken advantage of the transitional provisions;***

***(b) the classes of assets and/or liabilities that have not been recognised and/or measured in accordance with the applicable Standards of GRAP at the previous reporting date, but which are now so recognised and/or measured;***

***(c) the nature and amount of any reporting period adjustments recognised during the period; and***

***(d) the date that it will comply in full with the requirements of the Standards of GRAP, as well as information on the progress made by the entity towards recognising and/or measuring assets or liabilities in accordance with the requirements of Standards of GRAP.***

**GRAP 4 *The Effects of Changes in Foreign Exchange Transactions***

**Transitional provisions**

***.08 All changes resulting from the application of the Standard of GRAP on The Effects of Changes in Foreign Exchange Transactions (GRAP 4) shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3).***

.09 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

***.10 Where items have not been recognised and/or measured as a result of transitional provisions under other Standards of GRAP, GRAP 4 does not apply to those items.***

.11 The transitional provisions in other Standards of GRAP take precedence over the requirements of GRAP 4. The requirements of GRAP 4 will therefore not apply to an item until the transitional provisions in the applicable Standards of GRAP expire and the item is recognised and/or measured in the financial statements.

**GRAP 5 *Borrowing Costs***

**Transitional provisions**

***.12 An entity shall apply the requirements of the Standard of GRAP on Borrowing Costs (GRAP 5) prospectively, subject to paragraph .13.***

***.13 The amendments to this Standard of GRAP issued in February 2013 which allow the expensing or capitalising of borrowing costs shall be applied prospectively, subject to paragraph .14.***

***.14 Borrowing costs, incurred both before and after the effective date of this amendment and related to qualifying assets for which the commencement date for capitalisation is prior to the effective date of this Standard, shall be recognised in accordance with the entity's previous accounting policies.***

***.15 Where the adoption of these amendments results in a change in accounting policy, an entity shall disclose this fact in its accounting policies along with sufficient information about the details and dates of the change.***

.16 An entity expenses borrowing costs incurred on qualifying assets only when the commencement date for capitalisation is on or after the effective date of GRAP 5 for any assets acquired after the initial adoption of the Standard. Borrowing costs incurred prior to the effective date of GRAP 5, are recognised in accordance with the entity's previous accounting policies (if any), and includes borrowing costs incurred both before and after the initial adoption of the Standard.

**GRAP 6 *Consolidated and Separate Financial Statements***

**Transitional provisions**

***Separate financial statements***

***.17 An entity shall apply the requirements of the Standard of GRAP on Consolidated and Separate Financial Statements (GRAP 6) relating to separate financial statements in accordance with GRAP 3.***

.18 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

***Consolidated financial statements***

***.19 Adjustments required to an economic entity's financial position and financial performance as a result of initially adopting GRAP 6, shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted.***

***.20 On initial adoption of GRAP 6, comparative information need not be restated for the economic entity.***

.21 The effect of a transaction or event that gives rise to an entity being required to prepare consolidated financial statements should be determined at the date that control first exists. Any adjustments required to previous carrying amounts of assets, liabilities or net assets are recognised as an adjustment to the opening balance of accumulated surpluses and deficits in the period that GRAP 6 is adopted.

## GRAP 7 *Investments in Associates*

### Transitional provisions

***Separate financial statements***

***.22 An investor shall apply the requirements of the Standard of GRAP on Investments in Associates (GRAP 7) relating to separate financial statements in accordance with GRAP 3.***

.23 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

***Financial statements in which the equity method is applied***

***.24 On initial adoption of GRAP 7, any adjustments required to an investor's financial position and financial performance as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted.***

***.25 On initial adoption of GRAP 7, comparative information need not be restated for those financial statements in which the equity method is applied.***

.26 The effect of a transaction or event that gives rise to an entity being required to apply the provisions of GRAP 7, should be determined at the date that significant influence first exists. Any adjustments required to previous carrying amounts of assets, liabilities or net assets are recognised as an adjustment to the opening balance of accumulated surpluses and deficits in the period that GRAP 7 is adopted.

**GRAP 8 *Interests in Joint Ventures***

**Transitional provisions**

***Separate financial statements***

***.27 A venturer shall apply the requirements of the Standard of GRAP on Interests in Joint Ventures (GRAP 8) relating to separate financial statements in accordance with GRAP 3.***

.28 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

***Financial statements in which the equity method or proportionate consolidation is applied***

***.29 On initial adoption of GRAP 8, adjustments required to a venturer's financial position and financial performance as a result of initially applying the equity method or proportionate consolidation, shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted.***

***.30 On initial adoption of GRAP 8, comparative information need not be restated for those financial statements in which the equity method or proportionate consolidation is applied.***

.31 The effect of a transaction or event that gives rise to an entity being required to apply the provisions of GRAP 8, should be determined at the date that joint control first exists. Any adjustments required to previous carrying amounts of assets, liabilities or net assets are recognised as an adjustment to the opening balance of accumulated surpluses and deficits in the period that GRAP 8 is adopted.

**GRAP 9 *Revenue from Exchange Transactions***

**Transitional provisions**

***.32 All changes resulting from the application of the Standard of GRAP on Revenue from Exchange Transactions shall be accounted for in accordance with the requirements of GRAP 3.***

.33 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

**GRAP 11 *Construction Contracts***

**Transitional provisions**

***.34 All changes resulting from the application of the Standard of GRAP on Construction Contracts shall be accounted for in accordance with the requirements of GRAP 3.***

.35 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

**GRAP 12 *Inventories***

**Transitional provisions**

***.36 All changes resulting from the application of the Standard of GRAP on Inventories shall be accounted for in accordance with the requirements of GRAP 3.***

.37 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

**GRAP 13 *Leases***

**Transitional provisions**

***.38 All changes resulting from the application of the Standard of GRAP on Leases (GRAP 13) shall be accounted for in accordance with the requirements of GRAP 3, except leases of biological assets where the transitional provisions in paragraph .77 are applied.***

.39 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

.40 On initial adoption of GRAP 13, where biological assets that form part of an agricultural activity are leased, the transitional provisions in paragraph .77 should be used to initially recognise such leases in the financial statements.

***.41 Where items have not been recognised and/or measured as a result of transitional provisions under other Standards of GRAP, GRAP 13 does not apply to those items.***

.42 The transitional provisions in other Standards of GRAP take precedence over the requirements of GRAP 13. The requirements of GRAP 13 will therefore not apply to an item until the transitional provisions in the applicable Standards of GRAP expire and the item is recognised and/or measured in the financial statements.

.43 While entities are not required to recognise and/or measure finance lease assets/liabilities in their financial statements in relation to those assets and liabilities that have not been recognised and/or measured as a result of applying the transitional provisions in other Standards of GRAP, entities are required to apply the disclosure requirements included in GRAP 13 insofar as the lease assets/liabilities have been identified.

**GRAP 16 *Investment Property***

**Transitional provisions**

***.44 All changes resulting from the application of the Standard of GRAP on Investment Property shall be accounted for in accordance with the requirements of GRAP 3.***

.45 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

## GRAP 17 *Property, Plant and Equipment*

### Transitional provisions

***.46 All changes resulting from the application of the Standard of GRAP on Property, Plant and Equipment (GRAP 17) shall be accounted for in accordance with the requirements of GRAP 3.***

.47 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

***.48 Entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire.***

.49 The transitional provisions in the Standard of GAMAP on *Property, Plant and Equipment* allow individual entities a period of up to three years from the date of initial adoption of the Standard of GAMAP to comply in full with the recognition requirements of that Standard, for those assets that were not previously recognised. Where entities have taken advantage of that transitional period, the period remains in force, even where entities are adopting GRAP 17 for the first time.

.50 The exemption from the recognition requirements of the Standard of GAMAP on *Property, Plant and Equipment* implies that the associated measurement and disclosure requirements of the Standard of GRAP do not need to be complied with in respect of those classes of assets that are not recognised under paragraph .48.

## GRAP 18 *Segment Reporting*

### Transitional provisions

***.51 All provisions of the Standard of GRAP on Segment Reporting (GRAP 18) shall be applied on or after the effective date of the Standard, except in relation to items that have not been recognised and/or measured in accordance with the applicable Standards of GRAP as a result of transitional provisions under those Standards.***

.52 The transitional provisions in other Standards of GRAP take precedence over the requirements of GRAP 18. The requirements of GRAP 18 will therefore not apply to an item until the transitional provisions in the applicable Standards of GRAP expire and the item is recognised and/or measured in the financial statements.

***.53 On initial adoption of GRAP 18, comparative segment information need not be presented.***

**GRAP 19 *Provisions, Contingent Liabilities and Contingent Assets***

**Transitional provisions**

***.54 All changes resulting from the application of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (GRAP 19) shall be accounted for in accordance with the requirements of GRAP 3.***

.55 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

**GRAP 20 *Related Party Disclosures***

**Transitional provisions**

***.56 With the exception of paragraph .58, the requirements resulting from the application of the Standard of GRAP on Related Party Disclosures (GRAP 20) shall be accounted for in accordance with the requirements of GRAP 3.***

.57 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

***.58 Except for those disclosures that are exempt in paragraph .32 of the Standard, in the year that an entity initially adopts GRAP 20, it discloses comparative information for the disclosures required in paragraphs .27, .28 and .34 of the Standard to the extent that the information was previously disclosed in the financial statements. Where the information was not previously disclosed in the financial statements, paragraphs .27, .28 and .34 of the Standard are applied prospectively.***

.59 As a result of applying the transitional provisions outlined in paragraph .58, the following information shall be disclosed on the initial adoption of GRAP 20:

(a) Where entities have previously disclosed the information required by paragraphs .27 and .28 of the Standard in their financial statements they should provide comparative information in the year that the entity initially adopts the Standard, except in relation to information that is exempt from disclosure in paragraph .32 (see paragraph (b)). Where the information was not previously disclosed in the financial statements, an entity provides the information for the current year only and is not required to provide comparative information in the year that it initially adopts the Standard.

(b) Entities should not provide comparative information for the disclosures required in paragraphs .27 and .28 of the Standard, if these disclosures are exempt in paragraph .32, even if such information was included in the financial statements in prior years. Entities should provide comparative information for the requirements in paragraph .34 of the Standard to the extent that such information was previously disclosed in the financial statements.

**GRAP 21 *Impairment of Non-cash-generating Assets***

**Transitional provisions**

***.60 An entity shall apply the requirements of the Standard of GRAP on Impairment of Non-cash-generating Assets (GRAP 21) prospectively from the effective date of the Standard, except in relation to items that have not been recognised and/or measured in accordance with other Standards of GRAP as a result of transitional provisions under those Standards of GRAP.***

.61 Transitional provisions in other Standards of GRAP take precedence over the requirements of GRAP 21. GRAP 21 will therefore not apply to an item until the transitional provisions in those other Standards of GRAP expire, and the item is recognised and/or measured in the financial statements.

**GRAP 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)***

**Transitional provisions**

***.62 All changes resulting from the application of the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers) shall be accounted for in accordance with the requirements of GRAP 3.***

.63 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

## GRAP 24 *Presentation of Budget Information in Financial Statements*

### Transitional provisions

***.64 An entity shall apply the requirements of the Standard of GRAP on Presentation of Budget Information in Financial Statements prospectively.***

**GRAP 25 *Employee Benefits***

**Transitional provisions**

**All employee benefits**

***.65 All changes resulting from the application of the Standard of GRAP on Employee Benefits (GRAP 25) shall be accounted for in accordance with the requirements of GRAP 3.***

.66 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

**Defined benefit plans**

***.67 On the initial adoption of GRAP 25, an entity shall determine the net liability (asset) for defined benefit plans at that date as:***

***(a) the present value of the obligations (see paragraphs .76 to .112 of the Standard) at the date of adoption;***

***(b) minus the fair value, at the date of adoption, of plan assets (if any) out of which the obligations are to be settled directly (see paragraphs .113 to .122 of the Standard);***

***(c) plus any liability that may arise as a result of a minimum funding requirement (see paragraphs .71 to .73 of the Standard).***

***.68 If the amount determined for defined benefit plans on initial adoption of GRAP 25 is negative (an asset), the amount shall be measured using the asset recognition ceiling in paragraphs .68 to .70 of the Standard.***

***.69 The net liability (asset) recognised at the date of adoption in accordance with paragraph .67 includes all cumulative actuarial gains and losses and past service costs.***

.70 The net liability (asset) on the date of adoption includes both recognised and previously unrecognised actuarial gains and losses and past service costs that arose in prior periods.

***.71 Any difference between the net liability (asset) determined using GRAP 25 and the entity's previous accounting policy is accounted for retrospectively in accordance with GRAP 3.***

***.72 In the year of adoption, an entity is required to present a reconciliation of the net liability (asset) determined using its previous accounting policy, and the net liability (asset) determined using GRAP 25, showing separately the effect of:***

***(a) unrecognised actuarial gains and losses;***

***(b) unrecognised past service costs; and***

***(c) other changes.***

***The reconciliation shall be presented in the notes to the financial statements.***

***.73 In the year that an entity initially adopts GRAP 25, it discloses the information in paragraph .136(m) to the extent that it is available and/or previously disclosed.***

.74 The information specified in paragraph .136(m) relates to the present value of the defined benefit obligation, the fair value of the plan assets, the surplus or deficit in the plan, and certain experience adjustments. This information is required for the current and previous four reporting periods. An entity discloses this information to the extent that it is available and/or was previously disclosed. For example, if an entity only has information about the last three reporting periods, then disclosure of the current year and three-year historical information is sufficient in the year of adoption.

**GRAP 26 *Impairment of Cash-generating Assets***

**Transitional provisions**

***.75 An entity shall apply the requirements of the Standard of GRAP on Impairment of Cash-generating Assets (GRAP 26) prospectively from the effective date of the Standard, except in relation to items that have not been recognised and/or measured in accordance with other Standards of GRAP as a result of transitional provisions under those Standards of GRAP.***

.76 Transitional provisions in other Standards of GRAP take precedence over the requirements of GRAP 26. The requirements of GRAP 26 will therefore not apply to an item until the transitional provisions in those other Standards of GRAP expire, and the item is recognised and/or measured in the financial statements.

**GRAP 27** ***Agriculture***

**Transitional provisions**

*.77* ***Any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard of GRAP on Agriculture is initially adopted. On initial adoption of the Standard, comparative information is not required to be restated.***

**GRAP 31 *Intangible Assets***

**Transitional provisions**

***.78 All changes resulting from the application of the Standard of GRAP on Intangible Assets (GRAP 31) shall be accounted for in accordance with the requirements of GRAP 3.***

.79 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

.80 Notwithstanding the requirements in paragraph .69 of GRAP 31, where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard.

**GRAP 32 *Service Concession Arrangements: Grantor***

***.81 Changes resulting from the application of the Standard of GRAP on Service Concession Arrangements: Grantor shall be accounted for in accordance with the requirements of GRAP 3.***

.82 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

**GRAP 34 *Separate Financial Statements***

**Transitional provisions**

***.82A All the changes resulting from the application of the Standard of GRAP on Separate Financial Statements (GRAP 34) shall be accounted for in accordance with the requirements GRAP 3, except as specified in paragraphs .82C to .82I.***

.82B When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

**Equity method**

***.82C In accordance with paragraph .10 of GRAP 34, an entity may elect to use the equity method as described in the Standard of GRAP on Investments in Associates and Joint Ventures (GRAP 36), to account for investments in its separate financial statements. All changes resulting from the application of the equity method shall be accounted for in accordance with the requirements of GRAP 3.***

**Controlling entity that is an investment entity**

***.82D On the initial adoption of GRAP 34, an investment entity that previously measured its investment in a controlled entity at cost shall instead measure that investment at fair value in accordance with the Standard of GRAP on Financial Instruments (GRAP 104) as if the requirements of GRAP 34 had always been effective. The investment entity shall, in accordance with GRAP 3, retrospectively adjust the opening balance of accumulated surplus or deficit for the earliest period presented and adjust other comparative amounts disclosed for each period presented. The adjustment to the accumulated surplus or deficit shall be the difference between:***

***(a) the previous carrying amount of the controlling entity's investment in the controlled entity; and***

***(b) the fair value of the controlling entity's investment in the controlled entity.***

***.82E On the initial adoption of GRAP 34, the controlling entity that is an investment entity that previously measured its investment in a controlled entity at fair value, shall continue to measure that investment at fair value in accordance with GRAP 104.***

***.82F An investment entity shall not make adjustments to the previous accounting for its investment in a controlled entity that it had previously elected to measure at fair value in accordance with GRAP 104, as permitted in paragraph .10 of GRAP 34.***

***.82G If measuring the investment in the controlled entity in accordance with paragraphs .82D to .82F is impracticable (as defined in GRAP 3), an investment entity shall apply the requirements of GRAP 34 at the beginning of the earliest***

***period for which application of paragraphs .82D to .82F is practicable, which may be the current period. The investment entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. When the date that it is practicable for the investment entity to measure the fair value of its investment in a controlled entity is earlier than the annual period immediately preceding the date of initial adoption, the investment entity shall adjust accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption for any difference between:***

***(a) the previous carrying amount of the controlling entity's investment in the controlled entity; and***

***(b) the fair value of the controlling entity's investment in the controlled entity.***

***If the earliest period for which application of this paragraph is practicable is the current period, the adjustment to accumulated surplus or deficit shall be recognised at the beginning of the current period.***

***.82H If an investment entity has disposed of, or lost control of its investment in a controlled entity before the adoption of GRAP 34, the investment entity is not required to make adjustments to the previous accounting for that investment.***

***.82I The transitional provisions for changes in the accounting, in an entity's separate financial statements, for its interest in a joint operation are set out in the Standard of GRAP on Joint Arrangements (GRAP 37).***

**GRAP 35 *Consolidated Financial Statements***

**Transitional provisions**

***.82J All the changes resulting from the application of the Standard of GRAP on Consolidated Financial Statements (GRAP 35) shall be accounted for in accordance with the requirements of GRAP 3, except as specified in paragraphs .82L to .82V.***

.82K When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

***.82L Notwithstanding the requirements of paragraph .30 of GRAP 3, when GRAP 35 is first applied an entity need only present the quantitative information required by paragraph .30(f) of GRAP 3 for the annual period immediately preceding the date of the initial adoption of GRAP 35. An entity may also present this information for the current period or for the comparative period, but is not required to do so.***

***.82M On the initial adoption of GRAP 35, an entity is not required to make adjustments to the previous accounting for its involvement with either:***

***(a) entities that would be consolidated at that date in accordance with GRAP 6, and the Interpretation of the Standards of GRAP on Consolidation – Special Purpose Entities (IGRAP 11), and are still consolidated in accordance with GRAP 35; or***

***(b) entities that would not be consolidated at that date in accordance with GRAP 6 and IGRAP 11, and are not consolidated in accordance with GRAP 35.***

***.82N On the initial adoption of GRAP 35, an entity shall assess whether it is an investment entity on the basis of the facts and circumstances that exist at that date. If, at the date of initial adoption, an entity concludes that it is an investment entity, it shall apply the requirements of paragraphs .82O to .82Q instead of paragraphs .82U and .82V.***

***.82O Except for a controlled entity that is consolidated in accordance with paragraph .58 of GRAP 35 (to which paragraph .82M or paragraphs .82U and .82V apply, whichever is relevant), an investment entity shall measure its investment in each controlled entity at fair value as if the requirements of GRAP 35 had always been effective. The investment entity shall, in accordance with GRAP 3, retrospectively adjust the opening balance of accumulated surplus or deficit for the earliest period presented and adjust other comparative amounts disclosed for each period presented. The adjustment to the accumulated surplus or deficit shall be the difference between:***

***(a) the previous carrying amount of the controlling entity's investment in the controlled entity; and***

*(b) the fair value of the controlling entity's investment in the controlled entity.*

*.82P If measuring an investment in a controlled entity in accordance with paragraph .82O is impracticable (as defined in GRAP 3), an investment entity shall apply the requirements of GRAP 35 at the beginning of the earliest period for which application of paragraph .82O is practicable, which may be the current period. The investment entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. If this is the case, the adjustment to accumulated surplus or deficit shall be recognised at the beginning of the current period.*

*.82Q If an investment entity has disposed of, or has lost control of, an investment in a controlled entity before the date of initial adoption of GRAP 35, the investment entity is not required to make adjustments to the previous accounting for that investment.*

*.82R If an entity concludes on initial adoption of GRAP 35 that it shall consolidate another entity that was not consolidated in accordance with GRAP 6 or IGRAP 11, the entity shall:*

*(a) if the entity is a function (as defined in the Standards of GRAP on Transfer of Functions Between Entities Under Common Control (GRAP 105) or Transfer of Functions Between Entities Not Under Common Control (GRAP 106)), measure the assets, liabilities and non-controlling interests in that previously unconsolidated entity as if that other entity had been consolidated (and thus had applied the accounting requirements in GRAP 105 or GRAP 106) from the date when the entity obtained control of that other entity on the basis of the requirements of GRAP 35. The entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption. When the date that control was obtained is earlier than the annual period immediately preceding the date of initial adoption, the entity shall recognise, as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, any difference between:*

*(i) the amount of assets, liabilities and non-controlling interests recognised; and*

*(ii) the previous carrying amount of the entity's involvement with the other entity; or*

*(b) if the entity is not a function, apply the requirements in GRAP 105 or GRAP 106 to measure the assets, liabilities and non-controlling interests in that previously unconsolidated entity as if that other entity had been consolidated, but in the case of GRAP 106, without recognising the excess of the purchase consideration paid over the net assets from the date when*

***the entity obtained control of that other entity on the basis of the requirements of GRAP 35. The entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption. When the date that control was obtained is earlier than the annual period immediately preceding the date of initial adoption, the entity shall recognise, as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, any difference between:***

***(i) the amount of assets, liabilities and non-controlling interests recognised; and***

***(ii) the previous carrying amount of the entity's involvement with the other entity.***

***.82S If measuring a controlled entity's assets, liabilities and non-controlling interests in accordance with paragraph .82R(a) or (b) is impracticable (as defined in GRAP 3), an entity shall:***

***(a) if the entity is a function, apply the requirements in GRAP 105 or GRAP 106 to measure the assets, liabilities and non-controlling interests in that previously unconsolidated entity as if that entity had been consolidated from the deemed acquisition date. The deemed acquisition date shall be the beginning of the earliest period for which the application of this paragraph is practicable, which may be the current period; or***

***(b) if the entity is not a function, apply the requirements in GRAP 105 or GRAP 106 to measure the assets, liabilities and non-controlling interests in that previously unconsolidated entity as if that entity had been consolidated from the deemed acquisition date, but, in the case of GRAP 106, without recognising the excess of the purchase consideration paid over the net assets. The deemed acquisition date shall be the beginning of the earliest period for which the application of this paragraph is practicable, which may be the current period.***

***.82T The entity shall adjust retrospectively the annual period immediately preceding the date of initial adoption, unless the beginning of the earliest period for which the application of this paragraph is practicable is the current period. When the deemed acquisition date is earlier than the annual period immediately preceding the date of initial adoption, the entity shall recognise, as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, any difference between:***

***(a) the amount of assets, liabilities and non-controlling interests recognised; and***

***(b) the previous carrying amounts of the entity's involvement with the other entity.***

***If the earliest period for which application of this paragraph is practicable is the current period, the adjustment to accumulated surplus or deficit shall be recognised at the beginning of the current period.***

***.82U If an entity concludes on initial adoption of GRAP 35 that it will no longer consolidate an entity that was consolidated in accordance with GRAP 6 or IGRAP 11, the entity shall measure its interest in the other entity at the amount at which it would have been measured if the requirements of GRAP 35 had been effective when the entity became involved with, or lost control of, the other entity. The entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption. When the date that the entity became involved with (but did not obtain control in accordance with GRAP 35), or lost control of, the other entity is earlier than the annual period immediately preceding the date of initial adoption, the entity shall recognise, as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, any difference between:***

***(a) the previous carrying amount of the assets, liabilities and non-controlling interests; and***

***(b) the recognised amount of the entity's interest in the other entity.***

***.82V If measuring the interest in the other entity in accordance with paragraph .82U is impracticable (as defined in GRAP 3), an entity shall apply the requirements of GRAP 35 at the beginning of the earliest period for which application of paragraph .82U is practicable, which may be the current period. The entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. When the date that the entity became involved with (but did not obtain control in accordance with GRAP 35), or lost control of, the other entity is earlier than the annual period immediately preceding the date of initial adoption, the entity shall recognise, as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, any difference between:***

***(a) the previous carrying amount of the assets, liabilities and non-controlling interests; and***

***(b) the recognised amount of the entity's interest in the other entity.***

***If the earliest period for which application of this paragraph is practicable is the current period, the adjustment to accumulated surplus or deficit shall be recognised at the beginning of the current period.***

**GRAP 36 *Investments in Associates and Joint Ventures***

**Transitional provisions**

***.82W*** ***The transitional provisions for changing from proportionate consolidation to the equity method, or from the equity method to accounting for assets and liabilities in respect of a joint operation are set out in GRAP 37.***

**GRAP 37 *Joint Arrangements***

**Transitional provisions**

***.82X Notwithstanding the requirements of paragraph .30 of GRAP 3, when GRAP 37 is first applied an entity need only present the quantitative information required by paragraph .30(f) of GRAP 3 for the annual period immediately preceding the date of the initial adoption of GRAP 37. An entity may also present this information for the current period or for the comparative period, but is not required to do so.***

**Joint ventures – Transition from proportionate consolidation to the equity method**

***.82Y When changing from proportionate consolidation to the equity method, an entity shall recognise its investment in the joint venture for the annual period immediately preceding the date of initial adoption. That initial investment shall be measured as the aggregate of the carrying amounts of the assets and liabilities that the entity had previously proportionately consolidated.***

***.82Z The opening balance of the investment determined in accordance with paragraph .82Y is regarded as the deemed cost of the investment at initial recognition. An entity shall apply paragraphs .41 to .46 of GRAP 36 to the opening balance of the investment to assess whether the investment is impaired and shall recognise any impairment loss as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption.***

***.82Aa The initial recognition exception in paragraphs .15 and .24 of the International Accounting Standard on Income Taxes (IAS® 12) does not apply when the entity recognises an investment in a joint venture resulting from applying the transitional requirements for joint ventures that had previously been proportionately consolidated.***

***.82Ab If aggregating all previously proportionately consolidated assets and liabilities results in negative net assets, an entity shall assess whether it has legal or constructive obligations in relation to the negative net assets and, if so, the entity shall recognise the corresponding liability. If the entity concludes that it does not have legal or constructive obligations in relation to the negative net assets, it shall not recognise the corresponding liability, but it shall adjust accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption. The entity shall disclose this fact, along with its cumulative unrecognised share of losses of its joint ventures for the annual period immediately preceding the date of initial adoption and at the date at which GRAP 37 is first applied.***

***.82Ac An entity shall disclose a breakdown of the assets and liabilities that have been aggregated into the single line investment balance for the annual period***

***immediately preceding the date of initial adoption. That disclosure shall be prepared in an aggregated manner for all joint ventures for which an entity applies the transition requirements referred to in paragraphs .82Y to .82Ad.***

*.82Ad* ***After initial recognition, an entity shall account for its investment in the joint venture using the equity method in accordance with GRAP 36.***

**Joint operations – Transition from the equity method to accounting for assets and liabilities**

*.82Ae* ***When changing from the equity method to account for assets and liabilities in respect of its interest in a joint operation, an entity shall, for the annual period immediately preceding the date of initial adoption, derecognise the investment that was previously accounted for using the equity method and any other items that formed part of the entity's net investment in the arrangement in accordance with paragraph .39 of GRAP 36 and recognise its share of each of the assets and the liabilities in respect of its interest in the joint operation.***

*.82Af* ***An entity shall determine its interest in the assets and liabilities relating to the joint operation on the basis of its rights and obligations in a specified proportion in accordance with the binding arrangement. An entity measures the initial carrying amounts of the assets and liabilities by disaggregating them from the carrying amount of the investment for the annual period immediately preceding the date of initial adoption on the basis of the information used by the entity in applying the equity method.***

*.82Ag* ***Any difference arising from the investment previously accounted for using the equity method together with any other items that formed part of the entity's net investment in the arrangement in accordance with paragraph .36 of GRAP 36 and the net amount of the assets and liabilities recognised shall be adjusted against accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, if the net amount of the assets and liabilities recognised is higher, or lower, than the investment (and any other items that formed part of the entity's net investment) derecognised.***

*.82Ah* ***An entity changing from the equity method to account for assets and liabilities shall provide a reconciliation between the investment derecognised, and the assets and liabilities recognised, together with any remaining difference adjusted against accumulated surplus or deficit, for the annual period immediately preceding the date of initial adoption.***

*.82Ai* ***The initial recognition exception in paragraphs .15 and .24 of IAS 12 does not apply when the entity recognises assets and liabilities relating to its interest in a joint operation.***

**Accounting for acquisitions of interests in joint operations**

.82Aj ***An entity shall prospectively apply the requirements in paragraph .23 of GRAP 37 when it acquires an interest in a joint operation in which the activity of the joint operation constitutes a function as defined in GRAP 105 or GRAP 106. Amounts recognised for acquisitions of interests in joint operations occurring in prior periods shall not be adjusted.***

**Transitional provisions in an entity's separate financial statements**

.82Ak ***An entity that previously accounted for an investment in a joint operation in its separate financial statements in accordance with GRAP 104, as required by paragraph .59 of GRAP 6, shall:***

- ***(a) derecognise the investment and recognise the assets and the liabilities in respect of its interest in the joint operation at the amounts determined in accordance with paragraphs .82Ae to .82Ai; and***
- ***(b) provide a reconciliation between the investment derecognised, and the assets and liabilities recognised, together with any remaining difference adjusted in accumulated surplus or deficit, for the annual period immediately preceding the date of initial adoption.***

.82Al ***The initial recognition exception in paragraphs .15 and .24 of IAS 12 does not apply when the entity recognises assets and liabilities relating to its interest in a joint operation in its separate financial statements resulting from applying the transitional requirements for joint operations in paragraph .82Ak.***

## GRAP 100 *Discontinued Operations*

### Transitional provisions

***.83 The provisions of the Standard of GRAP on Discontinued Operations (GRAP 100) shall be applied prospectively.***

**GRAP 103 *Heritage Assets***

**Transitional provisions**

***.84 All changes resulting from the application of the Standard of GRAP on Heritage Assets (GRAP 103) shall be accounted for in accordance with the requirements of GRAP 3.***

.85 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

***.86 Entities are not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of GRAP 103 subject to the provisions in paragraph .87.***

***.87 If the initial accounting for heritage assets is incomplete by the end of a reporting period in which the Standard becomes effective, the entity shall report in its financial statements provisional amounts for those heritage assets for which the accounting is incomplete. During the measurement period, the entity shall retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the effective date of the Standard in accordance with paragraph .86, and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the entity shall also recognise additional heritage assets if information is obtained about the existence of those heritage assets at the effective date of the Standard, and, if it had been known, would have resulted in the recognition of those heritage assets at that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed at the effective date of the Standard, or learns that no more information is obtainable. However, the measurement period shall not exceed three years from the effective date of the Standard.***

.88 The exemption from applying the measurement requirements of GRAP 103 implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in accordance with the requirements of GRAP 103.

***.89 Until such time as the transitional provisions in paragraphs .86 to .87 expire, entities need not comply with:***

- ***GRAP 1;***
- ***GRAP 4;***
- ***GRAP 13;***
- ***GRAP 18; and***

- ***GRAP 100***

***to the extent that these Standards prescribe requirements for heritage assets.***

.90 Notwithstanding the transitional provisions, entities are encouraged to comply in full with the provisions of GRAP 103 as soon as possible.

**GRAP 104 *Financial Instruments***

**Transitional provisions**

**General**

***.91 All changes resulting from the application of GRAP 104 shall be accounted for retrospectively in accordance with the requirements of GRAP 3, except for those changes specified in paragraphs .92 and .93.***

***.92 GRAP 104 shall not be applied to financial assets, financial liabilities and residual interests that have already been derecognised at the date of initial adoption.***

***.93 An entity shall apply the derecognition requirements in paragraphs .65 to .79 of the Standard relating to financial assets prospectively. Accordingly:***

***(a) If an entity previously derecognised financial assets and those assets would not have been derecognised under this Standard, it shall not recognise those assets.***

***(b) An entity should assess whether any financial assets recognised at the date of initially adopting this Standard, qualify for derecognition using the requirements of this Standard.***

***.94 On initial adoption of this Standard the cumulative balance of any gains and losses on financial instruments recognised outside of surplus or deficit in previous reporting periods shall be:***

***(a) adjusted against accumulated surplus or deficit; and***

***(b) any related comparative amounts restated,***

***except those relating to gains and losses arising from the application of hedge accounting in accordance with International Financial Reporting Standards (IFRS® Standards).***

.95 In accordance with GRAP 104, an entity may apply hedge accounting in accordance with the IFRS Standards. Where an entity applied hedge accounting in accordance with the IFRS Standards prior to adopting this Standard and continues to apply such hedge accounting after adoption, it does not recognise the cumulative gains and losses recognised outside surplus or deficit, in accumulated surplus or deficit. Instead, it will apply the requirements of the IFRS Standards to those gains and losses.

**Scope**

***.96 On the initial adoption of this Standard, an entity shall:***

*(a) derecognise any previously recognised loan commitments and financial guarantee contracts which are excluded from the scope of the Standard in paragraphs .03(e) and (f); and*

*(b) assess whether such loan commitments or financial guarantee contracts should be recognised and/or disclosed in accordance with GRAP 19.*

**Categories of financial assets and financial liabilities**

***.97*** ***At the date of initial adoption, an entity may designate a financial asset or a financial liability at fair value in accordance with paragraph .17 of the Standard. Such a designation shall be made on the basis of the facts and circumstances that exist at the date of adoption. That classification shall be applied retrospectively.***

***.98*** ***At the date of initial adoption, an entity:***

***(a) shall revoke its previous designation of a financial liability measured at fair value if that financial liability does not meet the circumstances in paragraph .17 of the Standard; and***

***(b) may revoke its previous designation of a financial asset or a financial liability at fair value, even if the circumstances in paragraph .17 of the Standard are met.***

***Such a revocation shall be made on the basis of the facts and circumstances that exist at the date of initial adoption. That classification shall be applied retrospectively.***

***.99*** ***As a result of adopting this Standard, an entity may be required, or in accordance with paragraph .94, elect to measure a financial asset or financial liability at amortised cost instead of fair value. The entity shall treat the fair value of the financial asset or financial liability at the end of each comparative period as its amortised cost. In those circumstances, the fair value of the financial asset or the financial liability at the date of initial adoption shall be the amortised cost of that financial asset or financial liability at the date of adopting this Standard.***

## GRAP 105 *Transfer of Functions Between Entities Under Common Control*

### Transitional provisions

***.100 The requirements in GRAP 105 shall be applied prospectively to a transaction or event that involves a transfer of functions when the transfer date is on or after the initial adoption of the Standard. The transitional provisions should be read in conjunction with the requirements on the measurement period as included in paragraphs .40 to .45 of the Standard.***

.101 GRAP 105 only applies to a transfer of functions that occurs after the initial adoption of the Standard. Assets acquired and liabilities assumed as a result of a transfer of functions where the transfer date preceded the adoption of the Standard, should not be adjusted upon initial adoption of the Standard.

**GRAP 106 *Transfer of Functions Between Entities Not Under Common Control***

**Transitional provisions**

***.102 The requirements in GRAP 106 shall be applied prospectively to a transaction or event that involves a transfer of functions when the acquisition date is on or after the initial adoption of the Standard. The transitional provisions should be read in conjunction with the requirements on the measurement period as included in paragraphs .71 to .76 of the Standard.***

.103 GRAP 106 only applies to a transfer of functions that occurs after the initial adoption of the Standard. Assets acquired and liabilities assumed as a result of a transfer of functions where the acquisition date preceded the adoption of the Standard, should not be adjusted upon initial adoption of the Standard.

.104 On the initial adoption of the Standard, the opening balance of any recognised goodwill, that arose from a transfer of functions where the acquisition date preceded the adoption of GRAP 106, should be recognised against accumulated surplus or deficit for the earliest period presented.

**GRAP 107 *Mergers***

**Transitional provisions**

***.105 The requirements in the Standard of GRAP on Mergers (GRAP 107) shall be applied prospectively to a transaction or event that involves a merger when the merger date is on or after the initial adoption of the Standard. The transitional provisions should be read in conjunction with the requirements on the measurement period as included in paragraphs .24 to .29 of the Standard.***

.106 GRAP 107 only applies to a merger that occurs after the initial adoption of the Standard. Assets acquired and liabilities assumed as a result of a merger where the merger date preceded the adoption of the Standard, should not be adjusted upon initial adoption of the Standard.

**GRAP 108 *Statutory Receivables***

***.107 All changes resulting from the application of the Standard of GRAP on Statutory Receivables (GRAP 108) shall be accounted for retrospectively in accordance with the requirements of GRAP 3, except for those changes specified in paragraphs .109 and .110.***

.108 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

***Relief from retrospective application***

***.109 An entity shall apply the derecognition requirements in paragraphs .07 to .09 of the Standard prospectively. Accordingly, if an entity previously derecognised statutory receivables and those receivables would not have been derecognised under this Standard, it shall not recognise those receivables.***

***.110 An entity shall apply the impairment requirements in paragraphs .16 to .29 of the Standard prospectively from the effective date of the Standard.***

***Transitional period***

***.111 Entities are not required to change their accounting policies in respect of the classification and measurement of statutory receivables for reporting periods beginning on a date within three years following the date of first adoption of GRAP 108. Entities shall comply with the disclosure requirements of GRAP 108 as and when statutory receivables are classified and measured in accordance with the Standard of GRAP.***

***.112 When an entity takes advantage of the transitional provisions in paragraph .111 that fact shall be disclosed in the annual financial statements. The entity shall also disclose which statutory receivables are classified and measured in accordance with GRAP 108, which have been classified and measured under an accounting policy that is not consistent with the requirements of GRAP 108, and the entity's progress towards implementation of accounting policies that are consistent with GRAP 108. The entity shall disclose its plan for implementing accounting policies that are consistent with GRAP 108.***

***.113 When an entity takes advantage of the transitional provisions for a second or subsequent reporting period, details of the statutory receivables previously classified and measured on another basis, but which are now classified and measured in accordance with GRAP 108, shall be disclosed.***

.114 The transitional provisions are intended to allow entities a period to classify and measure statutory receivables in accordance with GRAP 108. Entities may continue to apply their previous accounting policies for classifying and measuring statutory receivables that do not comply with the provisions of GRAP 108.

**GRAP 109 *Accounting by Principals and Agents***

**Transitional provisions**

***.115 Changes resulting from the application of the Standard of GRAP on Accounting by Principals and Agents (GRAP 109) shall be accounted for in accordance with the requirements of GRAP 3.***

***.116 An entity is however not required to retrospectively restate transactions arising from principal-agent arrangements that were completed on or before the effective date of the Standard.***

.117 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively. An entity need not apply the requirements of GRAP 109 retrospectively to transactions arising from principal-agent arrangements that were completed on or before the effective date of the Standard. A completed principal-agent arrangement is an arrangement in which all transactions that are the subject of the arrangement have been undertaken.

## GRAP 110 *Living and Non-living Resources*

### Transitional provisions

***.118 The Standard of GRAP on Living and Non-living Resources (GRAP 110) is applied to living resources that are controlled by the entity on the effective date of the Standard. All changes resulting from the application of GRAP 110 shall be accounted for in accordance with the requirements of GRAP 3.***

.119 GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively. The entity only applies GRAP 110 to those living resources that it controls on the effective date of the Standard. An entity applies GRAP 110 retrospectively to these living resources by adjusting the opening balance of the affected component of net assets for the earliest period presented and the other comparative amounts disclosed.

***.120 Entities are not required to recognise and/or measure living resources for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP subject to the provisions in paragraph .121.***

***.121 If the initial accounting for living resources is incomplete by the end of the reporting period in which the Standard becomes effective, the entity shall report in its financial statements provisional amounts for any recognised living resources for which the accounting is incomplete. During the transitional period, the entity shall retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the effective date of the Standard, and, if known, would have affected the measurement of the amounts recognised as of that date. During the transitional period, the entity shall also recognise additional living resources if information is obtained about the existence of those living resources at the effective date of the Standard, and, if it had been known, would have resulted in the recognition of those living resources at that date. The transitional period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed at the effective date of the Standard, or learns that no more information is obtainable. However, the transitional period shall not exceed three years from the effective date of the Standard.***

.122 Applying the transitional period in paragraph .121 implies that any associated presentation and disclosure requirements need not be complied with for living resources not recognised and/or measured in accordance with the requirements of GRAP 110.

***.123 Where an entity has taken advantage of the transitional period in paragraph .121, the entity shall disclose the following until such time as the transitional period expires:***

*(a) the extent to which it has taken advantage of the transitional period for measuring living resources;*

*(b) progress made towards recognising, measuring, presenting and disclosing living resources in accordance with GRAP 110;*

*(c) living resources that have been recognised and/or measured under an accounting policy that is not consistent with the requirements of GRAP 110;*

*(d) living resources that have not been recognised, measured, presented and/or disclosed in the previous reporting period, but which are now recognised, measured and/or presented and/or disclosed;*

*(e) the nature and amount of any adjustments recognised in the statement of changes in net assets during the reporting period; and*

*(f) an indication of how the entity intends to comply in full with the requirements of GRAP 110.*

***.124 Until such time as the transitional provisions in paragraphs .118 to .123 expire, entities need not comply with:***

- ***GRAP 1;***
- ***GRAP 4;***
- ***GRAP 13;***
- ***GRAP 18; and***
- ***GRAP 100***

***to the extent that these Standards prescribe requirements for living resources.***

.125 Notwithstanding the transitional provisions, entities are encouraged to comply in full with the provisions of GRAP 110 as soon as possible.