Accounting Standards Board
Newsletter November 2021 Edition

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Join our events

We will be hosting a series of events to discuss proposed changes to GRAP 103 on *Heritage Assets*. If you are interested in joining an event, please contact Amanda Botha on amandab@asb.co.za. For information on the proposed changes, follow this link.

Date	Time	Audience
2 November	Afternoon	Members of the Public Sector Accounting Forum

ASB proposes changes to the Standard on heritage assets

The Board issued proposed amendments to GRAP 103 on *Heritage Assets* for comment in September 2021. The changes to GRAP 103 were proposed by the Board in response to feedback received from stakeholders during the post-implementation review of GRAP 103.

A range of comments were received during the post-implementation review. Not all the feedback received required changes to the Standard. Some of the issues can be addressed through new or revised FAQs, while others require more detailed implementation guidance from the National Treasury.

What changes are proposed to GRAP 103?

The key changes proposed to the Standard are as follows:

(a) Definition of a heritage asset – The definition has been amended to align it more closely with the definition of a heritage asset in legislation. The definition focuses on assets with cultural significance, and explains what cultural significance means in legislation.

(b) Accounting for heritage assets with an alternative use – Heritage assets could have cultural significance while being used for operational or other purposes by an entity. Previously, heritage assets with another purpose were accounted for based on this other use. The new proposal is that all heritage assets should be accounted for using GRAP 103.

(c) Measurement of heritage assets – Stakeholders raised concerns about the measurement of heritage assets. These issues related to (a) initial recognition using fair value, and in what circumstances a reliable measure cannot be determined, (b) determining fair value, and (c) the valuation process. Guidance has been added to GRAP 103 to explain when a reliable measure is not available, and additional methods that could be used to determine fair value.

The Board also agreed that entities should keep assessing whether a reliable value becomes available after initial recognition. The National Treasury is working on a project to develop guidance for preparers on the practical issues to consider when obtaining external valuations.

(d) Encouraged disclosures – The encouraged disclosures were reviewed by stakeholders during the review. They indicated that the information, even if provided by entities, is unlikely to be of value to users of the financial statements. The Board proposes deleting most of the encouraged disclosures.

(e) Additional disclosures – Additional disclosures are proposed for an entity's custodial responsibilities, particularly relating to the disposal of heritage assets, and when heritage assets are borrowed from or on loan to others.

Have your say…

The proposed changes are outlined in ED 195. Access the full Exposure Draft and Invitation to Comment on the ASB's website. The comment deadline is 28 January 2022.

Join the December 2021 IPSASB meeting

The IPSASB will be hosting its December meeting virtually. As the IPSASB meetings continue to be held virtually, it is a fantastic opportunity to hear the debates and deliberations firsthand.

The meeting will be held on multiple days in the second and third weeks of December. The meetings are three hours and are held in the afternoons to accommodate the time differences across jurisdictions.

To get more information and register, follow this link.

ASB provides comments to IPSASB on measurement and other proposals

The Secretariat of the ASB issued comment letters to the IPSASB on four of their Exposure Drafts. The comment letters were developed after consulting a range of local stakeholders.

The comment letters are available on the ASB's website. View them by following these links:

- ED 76 on Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements
- ED 77 on Proposed IPSAS on *Measurement*
- ED 78 on Proposed Amendments to IPSAS 17 on *Property, Plant and Equipment.*
- ED 79 on Proposed IPSAS on *Non-current Assets Held for Sale and Discontinued Operations*

Can past decisions about materiality affect future accounting

The principles in the Standards of GRAP need not be applied to immaterial transactions. Entities can develop their own accounting treatment for immaterial transactions.

Historically, preparers and auditors have often incorrectly held the view that entities should keep record of previous decisions about the accounting treatment applied to immaterial transactions so that they could assess in future reporting periods, if the cumulative effect is material.

Decisions about materiality are period specific. They are similar to the development of estimates and other judgements applied by management in a particular reporting period. Materiality should be assessed based on facts and circumstances that are known to management at the time when decisions are taken. To ensure that today's decisions about materiality are appropriate for the future, management should consider information at its disposal about future operations, projects, or impending changes to the environment.

If management develops appropriate materiality thresholds (quantitative) and criteria (qualitative) based on relevant information available at the time, then decisions about materiality should not affect future periods. If inappropriate materiality thresholds and criteria are developed, decisions about the accounting for transactions based on materiality would be made in error. When errors are discovered, they have an effect on current or past accounting (or both). Whether, and how these errors are corrected, will need to be decided using the principles in GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors.*

> To illustrate using a common example: An entity is deciding whether some of the assets it has purchased need to be accounted for using GRAP 17 on *Property, Plant and Equipment* or if an alternative accounting treatment could be applied, e.g., expensing in the year of purchase.
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> Scenario A: Based on the information available about the nature and value of the entity's assets, management decides that assets that meet certain qualitative criteria with a value of less than R5 000 should be expensed. GRAP 17 should be applied to all other assets.
>
> Scenario B: Using the same information as in scenario A, the entity comes to the same conclusions about materiality, except that it has not considered that the entity's strategic plan indicates that it will be expanding its operations which will require a significant purchase of the assets in question over the next three years. The change in the volume and significance of the asset means that a lower threshold should have been developed.
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> In scenario B, management has incorrectly assessed materiality as it did not consider information it had at its disposal about the future. Any decisions taken as a result, would be in error. The treatment of these errors and their corrections will require in a separate assessment by management.

IGRAP 21 on *The Effect of Past Decisions on Materiality* outlines a detailed discussion on how, and when management should assess materiality, and when circumstances may indicate that an error(s) has been made. IGRAP 21 is effective for financial periods commencing on or after 1 April 2023, and earlier application is encouraged. The Guideline on *The Application of Materiality to Financial Statements*, although not mandatory, should be applied by entities when considering materiality.

Access IGRAP 21 and the Guideline.

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