



ACCOUNTING STANDARDS BOARD

IMPROVEMENTS TO STANDARDS OF GRAP (2020)



Introduction

All paragraphs in this pronouncement have equal authority. The status and authority of appendices are dealt with in the preamble to each appendix. This pronouncement should be read in the context of its objective, its basis for conclusions and/or the basis for conclusions of its international equivalent, if applicable, the *Preface to the Standards of GRAP* and the *Framework for the Preparation and Presentation of Financial Statements*¹.

Standards of GRAP and Interpretations of the Standards of GRAP should also be read in conjunction with any directives issued by the Board prescribing transitional provisions, as well as any regulations issued by the Minister of Finance regarding the effective dates of the Standards, published in the Government Gazette.

Directives should be read in conjunction with the applicable Standards of GRAP and Interpretations of the Standards of GRAP.

¹ In June 2017, the Board replaced the *Framework for the Preparation and Presentation of Financial Statements* with the *Conceptual Framework for General Purpose Financial Reporting*.



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Amendments to the Standard of GRAP on *Borrowing Costs*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 5 have been amended:

Borrowing costs – allowed alternative treatment

...

Borrowing costs eligible for capitalisation

...

- .18** *To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to all ~~the~~ borrowings of the entity that are outstanding during the period. However, an entity shall exclude from this calculation borrowing costs applicable to other than borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare the asset for its intended use or sale are complete. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.*

Effective date

...

Entities already applying Standards of GRAP

- .39A** *Paragraph .18 was amended by the Improvements to the Standards of GRAP (2020) issued March 2020. These amendments are effective for annual periods beginning on or after 1 April 2023. An entity shall apply these amendments prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.*



Amendments to the Standard of GRAP on Leases

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 13 have been amended:

Operating leases

...

.64 To determine whether a leased asset has become impaired, an entity applies GRAP 21 or GRAP 26.

...

Disclosures

.67 In addition, the disclosure requirements of GRAP 16, GRAP 17, GRAP 21, GRAP 26, GRAP 27 and GRAP 31 apply to lessors for assets provided under operating leases.

Sale and leaseback transactions

.74 For finance leases, no such adjustment is necessary unless there has been an impairment in value and that impairment is required to be recognised in accordance with the requirements of GRAP 21 or GRAP 26.

Effective date

...

Entities already applying Standards of GRAP

.81B Paragraphs .64, .67 and .74 were amended by the Improvements to the Standards of GRAP (2020) issued March 2020. These amendments are effective for annual periods beginning on or after 1 April 2023. An entity shall apply these amendments prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.



Amendments to the Standard of GRAP on *Investment Property*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 16 have been amended:

Classification of property as investment property

~~Property interest held by a lessee under an operating lease~~

.06 *A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, the property would otherwise meet the definition of an investment property and the lessee uses the fair value model set out in paragraphs .46 to .70 for the asset recognised. This classification alternative is available on a property-by-property basis. However, once this classification alternative is selected for one such property interest held under an operating lease, all property classified as investment property shall be accounted for using the fair value model. When this classification alternative is selected, any interest so classified is included in the disclosures required by paragraphs .90 to .95.*

~~Investment property~~

.07 Entities in the public sector often own a significant number of properties. While the properties are most often used to deliver goods or services in accordance with each entity's respective mandated functions, some entities use them to provide additional sources of revenue, e.g. through rental, or through the value that could be realised if the properties are sold.

...

Transfers

.72 *An entity shall transfer a property* ~~Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:~~ *A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. Examples of a change in use include:*

- (a) commencement of owner-occupation, or development with a view to owner-occupation, for a transfer from investment property to owner-occupied property;*
- (b) commencement of development with a view to sale, for a transfer from investment property to inventories;*
- (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or and*
- (d) commencement inception of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property*

...

- .74 ~~Paragraph .72(b) requires an entity to transfer a property from investment property to inventories when, and only when, there is a change in use, evidenced by commencement of development with a view to sale. When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of financial position) and does not treat reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the entity remains an investment property and is not reclassified as owner-occupied property during the redevelopment.~~

...

Guidance on initially measuring self-constructed investment property at fair value

- .82 When an entity completes the construction or development of a self-constructed investment property that will be carried at fair value, or when its fair value becomes reliably measurable (whichever is earlier), any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus or deficit.***

...

Disposals

...

- .89 Impairments or losses of investment property, related claims for or payments of compensation from third parties and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately as follows:
- (a) impairments of investment property are recognised in accordance with GRAP 21 or GRAP 26;

....

Disclosure

Cost model

- .96 In addition to the disclosures required by paragraph .91, an entity that applies the cost model in paragraph .71 shall disclose:***

....

- (d) a reconciliation of the carrying amount of investment property at the beginning and end of the period, showing the following:***

....

- (iv) the amount of impairment losses recognised, and the amount of***



impairment losses reversed, during the period in accordance with GRAP 21 or GRAP 26;

...

Effective date

...

Entities already applying Standards of GRAP

.105B The following paragraphs were amended by the Improvements to the Standards of GRAP (2020) issued March 2020. These amendments are effective for annual periods beginning on or after 1 April 2023. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact. An entity shall apply these amendments as follows:

- (a) paragraphs .72 and .74 shall be applied prospectively for property held on 1 April 2023 and, if applicable, reclassify property applying paragraphs .07 to .24 to reflect the conditions that exist at that date.**
- (b) paragraph .82 shall be applied retrospectively in accordance with GRAP 3; and**
- (c) paragraphs .89 and .96 shall be applied prospectively in accordance with GRAP 3.**

.105C If, in accordance with paragraph .105B(a) an entity reclassifies property on or after the beginning of the reporting period in which the entity first applies the amendments (“the date of initial application”), the entity shall:

- (a) account for the reclassification applying the requirements in paragraphs .76 to .81. In applying paragraphs .76 to .81, and entity shall:**
 - (i) read any difference to the date of change in use as the date of initial application; and**
 - (ii) recognise any amount that, in accordance with paragraphs .76 to .78, would have been recognised in surplus or deficit as an adjustment to the opening balance of accumulated surplus or deficit at the date of initial application; and**
- (b) disclose the amounts reclassified to, or from investment property in accordance with paragraph 105B(a). The entity shall disclose those amounts reclassified as part of the reconciliation of the carrying amount of investment property as at the beginning and end of the period as required by paragraphs .93 and .96.**



Amendments to the Standard of GRAP on *Property, Plant and Equipment*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 17 have been amended:

Depreciable amount and depreciation period

...

Depreciation

...

- .69 Land and buildings are separable assets and are accounted separately, even when they are acquired together. ~~With some exceptions, such as quarries and sites used for landfill,~~ Land has an unlimited useful life and therefore is not depreciated. Buildings have a limited useful life and therefore are depreciable assets. An increase in the value of the land on which a building stands does not affect the determination of the depreciable amount of the building.
- .70 If the cost of land includes the costs of site dismantlement, removal and restoration, the portion of the land asset is depreciated over the period of benefits or service potential obtained by incurring those costs ~~In some cases, the land itself may have a limited useful life, in which case it is depreciated in a manner that reflects the benefits or service potential to be derived from it.~~

Effective date

...

Entities already applying Standards of GRAP

.102B Paragraphs .69 and .70 were amended by the Improvements to the Standards of GRAP (2020) issued March 2020. These amendments are effective for annual periods beginning on or after 1 April 2023. These amendments are accounted for as a change in accounting policy, in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3). Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.

.102C When an entity initially adopts the amendments to paragraph .69 and .70, it needs to assess if the quarry or site used for landfill is impaired. An entity shall apply the impairment requirements prospectively in accordance with GRAP 3.

Comparison with International Public Sector Accounting Standard on *Property, Plant and Equipment* (December 2006)

This Standard is drawn primarily from the International Public Sector Accounting Standard on *Property, Plant and Equipment* (IPSAS 17). The main differences



between this Standard and IPSAS 17 are as follows:

...

- This Standard has deleted the example indicating that quarries and land used for landfill sites may be depreciated in certain cases as land has an unlimited useful life and cannot be consumed through its use.

Amendments to the Standard of GRAP on *Related Party Disclosures*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 20 have been amended:

Definitions

.10 *The following terms are used in this Standard with the meanings specified:*

A related party *is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:*

(a) ...

(b) *An entity is related to the reporting entity if any of the following conditions apply:*

(i)

(viiA) *The entity, or any member of a group of which it is part, provides management services to the reporting entity or to the controlling entity of the reporting entity.*

Disclosure of related party transactions

.27 *Subject to the exemptions in paragraph .32, if a reporting entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph .35 to disclose remuneration of management. At a minimum, disclosures shall include:*

(a) *the amount of the transactions;*

(b) *the amount of outstanding balances, including commitments; and*

(i) *their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and*

(ii) *details of any guarantees given or received;*

(c) *provisions for doubtful debts related to the amount of outstanding balances; and*

(d) *the expense recognised during the period in respect of bad or doubtful debts due from related parties.*



.27A Amounts incurred by the entity for the provision of management services that are provided by a separate management entity shall be disclosed. Management services are services where employees of a management entity perform functions as “management” as defined in paragraph .10.

.27B Amounts incurred for the provision of management services includes amounts paid or payable, and amounts recognised and/or disclosed as services in-kind in terms of the Standard of GRAP on *Revenue from Non-exchange Transactions (Taxes and Transfers)*.

....

.34 *Where a reporting entity is exempt from the disclosures in accordance with paragraph .32 the entity shall disclose narrative information about the nature of the transactions, and the related outstanding balances referred to in paragraph .27 to enable users of the reporting entity’s financial statements to understand the effect of related party transactions on its financial statements.*

Disclosure of remuneration of management

.35 ...

.35A If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Effective date

...

Entities already applying Standards of GRAP

.39A Paragraph .10 was amended and paragraphs .27A, .27B, .27C and .35A added by the Improvements to the Standards of GRAP (2020) issued March 2020. These amendments are effective for annual periods beginning on or after 1 April 2023. An entity shall apply these amendments retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.

...

Comparison with International Public Sector Accounting Standard on *Related Party Disclosures* (October 2002)

This Standard is drawn primarily from the International Public Sector Accounting Standard on *Related Party Disclosures* (IPSAS 21). The main differences between



this Standard and IPSAS 21 are as follows:

...

This Standard has been amended to include the change to IAS 24 *Related Party Disclosures* to expand the definition of a related party, and the disclosure of related party disclosures, to include management services.



Amendments to the Standard of GRAP on *Presentation of Budget Information in Financial Statements*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 24 have been amended:

...

Presentation and disclosure

.19 *An entity shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis.*

.20 Comparisons of budget and actual amounts may be presented in a separate financial statement (“statement of comparison of budget and actual amounts” or a similarly titled statement) included in the complete set of financial statements as specified in the Standard of GRAP on *Presentation of Financial Statements* (GRAP 1). Alternatively, where the financial statements and the budget are prepared on a comparable basis – that is, on the same basis of accounting for the same entity and reporting period, and adopt the same classification structure – additional columns may be added to the face of the existing ~~primary~~ financial statements presented in accordance with Standards of GRAP. These additional columns will identify approved and final budget amounts and, if the entity so chooses, differences between the budget and actual amounts.

...

.22 Where budgets are prepared on the accrual basis and encompass the full set of financial statements, additional budget columns can be added to all the primary face of the financial statements required by Standards of GRAP. In some cases, budgets prepared on the accrual basis may be presented in the form of only certain of the ~~primary~~ financial statements that comprise the full set of financial statements as specified by Standards of GRAP – for example, the budget may be presented as a statement of financial performance or a cash flow statement, with additional information provided in supporting schedules. In these cases, the additional budget columns can be included on the face of the ~~in the primary~~ financial statements that are also adopted for presentation of the budget. Determining the extent of comparison involves professional judgement. That judgement is applied in the context of the objective of this Standard and the qualitative characteristics of financial reporting as outlined in paragraph .25 and the *Framework for the Preparation and Presentation of Financial Statements*².

Effective date

...

² In June 2017, the Board replaced the *Framework for the Preparation and Presentation of Financial Statements* with the *Conceptual Framework for General Purpose Financial Reporting*.



Entities already applying Standards of GRAP

.54A Paragraphs .19, .20 and .22 were amended by the Improvements to the Standards of GRAP (2020) issued March 2020. These amendments are effective for annual periods beginning on or after 1 April 2023. An entity shall apply these amendments retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.



Amendments to the Standard of GRAP on *Intangible Assets*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 31 have been amended:

Review of useful life assessment

...

- .110 ~~For intangible assets measured under the cost model reassessing the useful life of an intangible asset as finite rather than indefinite~~ In accordance with GRAP 21 or GRAP 26, as appropriate, reassessing the useful life of an intangible asset as finite rather than indefinite is an indicator that the asset may be impaired. As a result, the entity tests the asset for impairment by comparing its recoverable amount or recoverable service amount, determined in accordance with GRAP 21 or GRAP 26, as appropriate, with its carrying amount, and recognising any excess of the carrying amount over the recoverable amount or recoverable service amount, as appropriate, as an impairment loss.

Effective date

...

Entities already applying Standards of GRAP

.134B Paragraph .110 was amended by the Improvements to the Standards of GRAP (2020) issued March 2020. These amendments are effective for annual periods beginning on or after 1 April 2023. An entity shall apply these amendments prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply this amendment earlier, it shall disclose this fact.



Amendments to the Standard of GRAP on Service Concession Arrangements: Grantor

Amended text is shown with new text underlined and deleted text struck through. The annexure illustrating certain aspects of the requirements of the Standard has been deleted. The following amendments have been made in GRAP 32:

Presentation and disclosure (see Appendix A paragraphs AG65. to AG67.)

.30 A grantor shall disclose the following information for each material service concession arrangement and in aggregate for individually immaterial service concession arrangements that are material collectively in each reporting period:

...

(c) The nature and extent (e.g. quantity, time period, or amount, as appropriate) of:

- (i) rights to use specified assets;**
- (ii) rights to expect the operator to provide specified services in relation to the service concession arrangement;**
- (iii) the carrying amount of service concession assets recognised at as assets during the reporting date period, including existing assets of the grantor reclassified as service concession assets;**

....

Effective date

...

Entities already applying Standards of GRAP

.33A Paragraph .30 was amended by the Improvements to the Standards of GRAP (2020) issued March 2020. These amendments are effective for annual periods beginning on or after 1 April 2023. An entity shall apply these amendments retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply this amendment earlier, it shall disclose this fact.



Amendments to the Standard of GRAP on *Joint Arrangements*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs GRAP 37 have been amended:

Effective date

....

Entities already applying Standards of GRAP

.31A Paragraph AG36A. was added by the Improvements to the Standards of GRAP (2020) issued March 2020. These amendments are effective for annual periods beginning on or after 1 April 2023. An entity shall apply these amendments to transactions in which it obtains joint control on or after the beginning of the reporting period in which the entity first applies the amendments. Earlier application is permitted. If an entity elects to apply this amendment earlier, it shall disclose this fact.

Appendix A - Application guidance

This appendix is an integral part of this Standard.

...

Financial statements of parties to a joint arrangement (paragraphs .21 to .27)

Accounting for acquisitions of interests in joint operations

...

AG36A. A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a function as defined in GRAP 105 or GRAP 106. In such cases, the previously held interests in the joint operation are not remeasured.



Amendments to the Standard of GRAP on *Transfer of Functions Between Entities Not Under Common Control*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 106 have been amended:

A transfer of functions achieved in stages

...

.70A When a party to a joint arrangement (as defined in the Standard of GRAP on *Joint Arrangements*) (GRAP 37) obtains control of an operation that is a joint operation (as defined in GRAP 37), and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is an acquisition achieved in stages. The acquirer shall therefore apply the requirements for an acquisition achieved in stages, including remeasuring its previously held interest in the joint operation in the manner described in paragraph .70. In doing so, the acquirer shall remeasure its entire previously held interest in the joint operation.

Effective date

...

Entities already applying Standards of GRAP

.101A ***Paragraph .70A was added by the Improvements to the Standards of GRAP (2020) issued March 2020. This amendment is effective for annual periods beginning on or after 1 April 2023. An entity shall apply this amendment to transfer of functions between entities not under common control for which the acquisition date is on or after the beginning of the reporting period in which the entities first applies the amendments. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.***



Amendments to the Directive on *The Application of Deemed Cost*

Amended text is shown with new text underlined and deleted text struck through. The following paragraph in Directive 7 has been amended

Scope

.04 This Directive does not address:

- (a) ...
- (b) the deemed cost of biological assets, except for bearer plants, that form part of an agricultural activity. These assets are initially measured at fair value in accordance with the Standard of GRAP on *Agriculture*.