national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

GRAP 9 – Revenue From Exchange Transactions

Effective 1 April 2021

DEFINITION

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange

MEASUREMENT

- Revenue is recognised at the fair value of the consideration received or receivable
- If the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less then the nominal amount of the cash and cash equivalents received or to be received. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting the future receipts using an imputed interest rate
- An exchange for goods or services of a similar nature and value is not regarded as a transaction that generates revenue. However, an exchange for a dissimilar item is regarded as generating revenue. The revenue is measured at the fair value of the goods or services received or the fair value of the goods or services given up, adjusted for any cash and cash equivalents transferred
- Where a transaction is statutory (non-contractual) in nature, revenue is measured by reference to the relevant legislation, regulation or similar means. The amount represents the fair value of the consideration received or receivable.

RECOGNITION

SALE OF GOODS

Revenue arising from the sale of goods should be recognised when all of the following conditions have been satisfied:

- ✓ The significant risks and rewards of ownership are transferred
- ✓ Entity does not have continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- ✓ The amount of revenue can be measured reliably
- ✓ It is probable that the economic benefits or service potential associated with the transaction will flow to the entity
- ✓ The costs incurred or to be incurred in respect of the transaction can be measured reliably

RENDERING OF SERVICES

When the outcome of a transaction can be estimated reliably, revenue should be recognised by reference to the stage of completion of the transaction at the reporting date, provided that all of the following conditions are met:

- ✓ The amount of revenue can be measured reliably
- ✓ It is probable that the economic benefits or service potential associated with the transaction will flow to the entity
- ✓ The stage of completion at the reporting date can be measured reliably
- ✓ The costs incurred, or to be incurred, in respect of the transaction can be measured reliably

When the outcome of a transaction cannot be estimated reliably, revenue arising from the rendering of services should be recognised only to the extent of the expenses recognised that are recoverable

INTEREST, ROYALTIES AND DIVIDENDS

For interest, royalties and dividends, if it is probable that the economic benefits or service potential will flow to the entity and the amount of revenue can be measured reliably, revenue should be recognised as follows:

- Interest: using the effective interest rate method, as in GRAP on Financial Instruments
- Royalties: as they are earned according to the substance of the relevant agreement
- Dividends: the owner's or entity's right to receive payment is established