

ASB GRAP UPDATE MUNICIPALITIES AND MUNICIPAL ENTITIES 10 May 2024





Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.



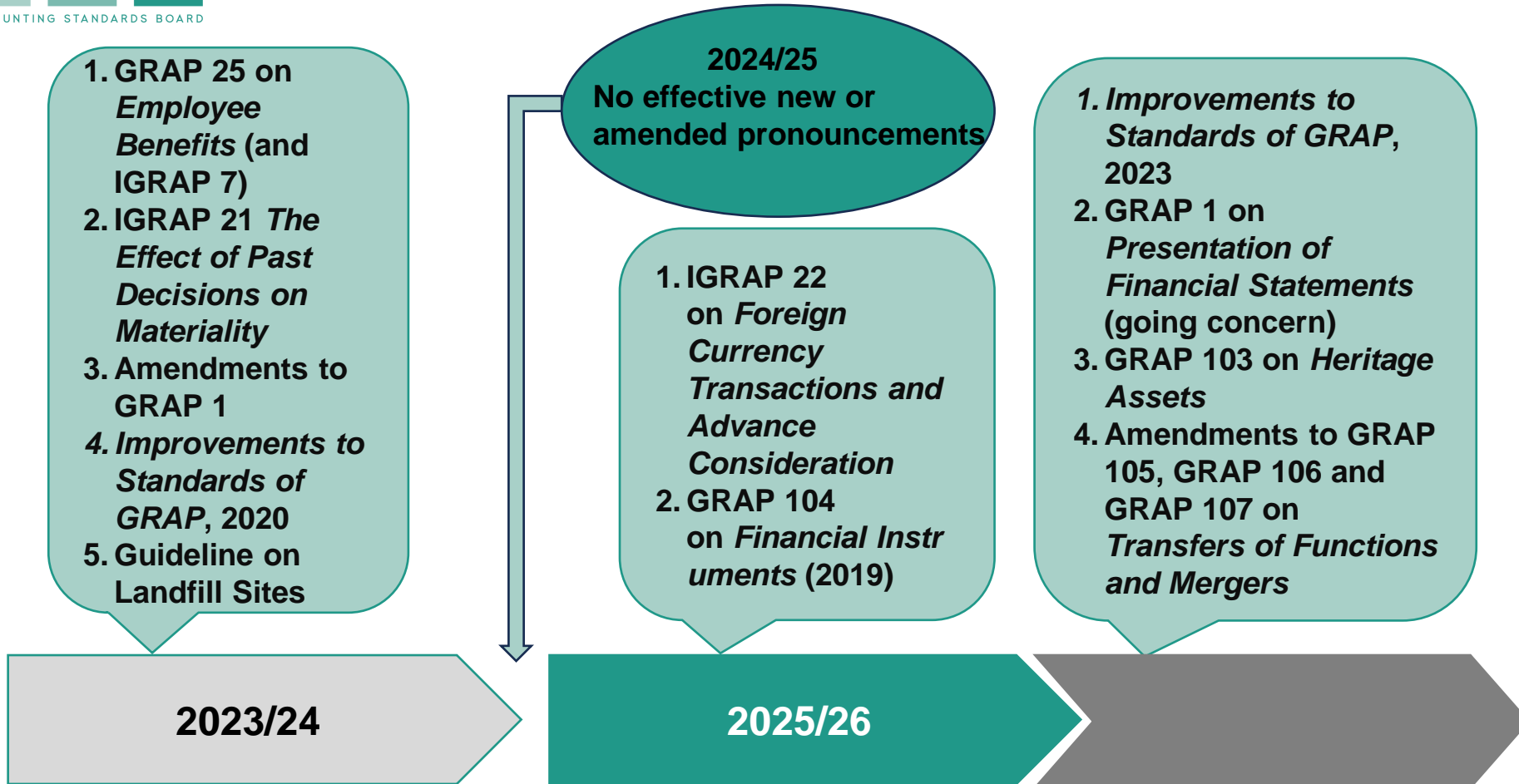
Overview of today's session

- GRAP reporting landscape – 2023/24 and beyond
- The effect of past decisions about materiality on future financial statements
- Employee Benefits – revised requirements
- Guideline on *Accounting for Landfill Sites*
- Getting ready for Financial Instruments (revised 2019)
- Overview of ASB activities

GRAP reporting landscape – 2023/2024 and beyond



An overview



Note: Based on information available on 01 December 2023

Effective dates and adoption arrangements of changes

Topic	Background	Initial application
Amendments to GRAP 1 on <i>Presentation of Financial Statements</i> (Materiality project)	Relates to materiality and disclosures to do away with a “checklist” approach of what entities should present	1 April 2023
IGRAP 21 on <i>The Effect of Past Decisions on Materiality</i>	Explains whether past decisions about materiality can affect the future. GRAP 3 allows entities to develop alternative accounting treatments when the effect of applying them is immaterial.	1 April 2023
Improvements to Standards of GRAP (2020)	Minor amendments aligned from international standard-setters as well as local stakeholder input	1 April 2023

Effective dates and adoption arrangements of changes

Topic	Background	Initial application
Guideline on <i>Accounting for Landfill Sites</i>	Guidance on accounting for land, landfill site asset and rehabilitation provision	1 April 2023
GRAP 25 on <i>Employee Benefits</i> (and IGRAP 7)	Aligned with changes made to the equivalent international standards. Changes relate primarily to the presentation of defined benefit plans	1 April 2023
GRAP 103 on <i>Heritage Assets</i>	Followed the PIR, amendments aligned to stakeholder feedback e.g. definition and measurement guidance. FAQs to be published when effective.	May not early adopt – Minister must still determine effective date

Effective dates and adoption arrangements of changes

Topic	Background	Initial application
IGRAP 22 on <i>Foreign Currency Transactions and Advance Consideration</i>	IGRAP developed from IFRIC 22 on <i>IAS 21 – The Effects of Changes in Foreign Exchange Rates</i>	1 April 2025 Early adoption permitted
Improvements to Standards of GRAP, 2023	Minor amendments aligned with international standard-setters as well as local stakeholder input	May not early adopt – Minister must still determine effective date
Amendments to GRAP 105, GRAP 106 and GRAP 107 on <i>Transfers of Functions and Mergers</i> .	Amended to align GRAP 105, GRAP 106 and GRAP 107 to IPSAS 40 on <i>Public Sector Combinations</i> and IFRS 3 on <i>Business Combinations</i> .	May not early adopt – Minister must still determine effective date

IFRS not to be applied

Topic	IPSAS	ASB process
Fair Value Measurement (IFRS 13)	IPSAS 46 <i>Measurement</i> (Effective 1 January 2025)	2024-2026 work programme
Regulatory Deferral Accounts (IFRS 14)	No equivalent. The Standard only applies to first-time adopters of IFRS Accounting Standards.	Standard is not applicable to entities that apply Standards of GRAP
Revenue from Contracts with Customers (IFRS 15)	IPSAS 47 <i>Revenue</i> (Effective 1 January 2026)	Project to revise Standard of GRAP to be considered after 2026
Leases (IFRS 16)	IPSAS 43 on <i>Leases</i> (Effective 1 January 2025)	Wait for Phase II to be completed (after 2026)
Insurance (IFRS 17)	No equivalent	Assessing impact locally
Presentation and Disclosure in Financial Statements (IFRS 18)	Project to amend IPSAS 1 on <i>Presentation of Financial Statements</i>	Project to revise Standard of GRAP to be considered after 2026

IPSAS not to be applied

Topic	ASB process
Amendments to IPSAS 19 for collective and individual services	On the ASB work programme for 2024 to 2026
Employee Benefits [IPSAS 39]	Apply GRAP 25 on <i>Employee Benefits</i>
Public Sector Combinations [IPSAS 40]	Apply GRAP 105, GRAP 106 and GRAP 107 on transfers of functions and mergers
Financial instruments [IPSAS 28-30 and 41]	Apply GRAP 104 on <i>Financial Instruments</i>
Social benefits [IPSAS 42]	Retain current accounting policies. Project underway to develop Standard of GRAP on <i>Social Benefits</i> .

IPSAS not to be applied

Topic	ASB process
Non-current Assets Held for Sale and Discontinued Operations [IPSAS 44]	Apply GRAP 100 <i>Discontinued Operations</i> and GRAP 1 <i>Presentation of Financial Statements</i> (disclosure requirements)
Property, plant and equipment (revised) [IPSAS 45]	To be considered in a future work programme
Transfer Expenses [IPSAS 48]	On the ASB work programme for 2024 to 2026
Retirement Benefit Plans [IPSAS 49]	Board did not determine IPSAS 49 to be applicable to the local environment

IGRAP 21

The Effect of Past Decisions on Materiality





Background

- Guideline on *The Application of Materiality to Financial Statements* issued in 2018.
- Respondents to draft commented on past practices in applying materiality.
- Historically required to keep record where “alternative accounting treatments” applied.
- View that needed to assess if effect could become material over time.



Background

- Board agreed to review GRAP 3 as a separate project + identify if guidance needed.
- Based on review, agreed to issue Interpretation.

Problem statement

Problem statement

- GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors* used to develop accounting policies.
- Accounting policies in the Standards of GRAP should be applied, except when the effect of applying them is immaterial.

Problem statement

- This means that entities can apply “alternative accounting treatments” to the recognition and measurement of items.
- Some typical examples...

Problem statement

- Expensing of immaterial items that meet the definition of an asset. E.g. expensing low value assets that meet the definition of PPE.
- Expensing transaction costs that are immaterial to an asset. E.g. transactions costs incurred to originate financial instruments measured at amortised cost.

Problem statement

- Classifying assets differently even though they meet the definition of certain types of assets. E.g. immaterial heritage assets accounted for as PPE, servitudes recognised as part of PPE rather than intangible assets.

Problem statement

- Entities applied alternative accounting treatments in the past + were required to keep record of transactions/items.
- View that needed to assess if effect of applying these treatments became material over time.
- If yes, retrospective adjustments required.



Principles of IGRAP 21 The Effect of Past Decisions on Materiality





Scope of IGRAP 21

- Deals with the application of materiality for recognition and measurement.
- Materiality + application to presentation and disclosure dealt with in GRAP 1 on *Presentation of Financial Statements*.





Two key issues addressed in IGRAP 21

- #1 Do past decisions about materiality affect future reporting periods?
- #2 Is applying an “alternative accounting treatment” an error, or a departure from the Standards of GRAP?



Do past decisions affect future reporting periods?

- Materiality is assessed during a reporting period and at reporting date.
- Decisions about, and assessments of, materiality are period specific.
- No effect on future periods unless an error occurred.

Do past decisions affect future reporting periods?

To answer question raised...

- Retrospective changes only made when (a) change in accounting policy, or (b) an error was made.
- Changing from an accounting treatment to a GRAP accounting policy is not a change in policy.
- Alternative treatments not errors, unless certain circumstance exist.



Do past decisions affect future reporting periods?

To answer question raised...

- Retrospective changes limited to situations when an error is made by an entity in assessing materiality.



Accounting treatments and accounting policies

Entities can have:

- Alternative accounting treatments = immaterial items.
- Accounting policies based on Standards of GRAP = material items.



Accounting treatments and accounting policies

Accounting treatments and accounting policies applied:

- Based on materiality during the reporting period and at reporting date.
- Using all relevant facts and circumstances at date materiality assessed.
- Applied consistently to similar items, transactions and events.



Accounting treatments and accounting policies

Accounting treatments and accounting policies applied:

- Materiality determined quantitatively and qualitatively.
- Considering effect on individual items, as well as collectively.
- Assessment considers effect on both current as well as future reporting periods (based on available information).



Can accounting treatments be errors or departures?

- GRAP 3 allows entities to not apply the Standards to immaterial items.
- As a result, applying alternative treatments is not a departure and not an error.
- Errors arise when...

Errors can arise...

1. Immaterial items are omitted from the financial statements.
2. Inappropriate accounting treatment applied because of a failure to use, or misuse of, reliable information that was available or could reasonably have been expected to be used.

Errors can arise...

3. Alternative accounting treatment is applied to achieve a particular presentation in the financial statements.
4. An incorrect assessment of materiality is made resulting in material transactions accounted for as immaterial transactions.

GRAP 3 applies to errors.



Transitional provisions

- Assessments of materiality are period specific and require judgement.
- Difficult to assess whether materiality correctly assessed in the past.
- Transitional provisions = prospective + no need to assess past decisions.



Practical issues to consider

- Alternative accounting treatments not based on “accounting policies” for specific transactions in Standards.
- Developed so that not inconsistent with the Conceptual Framework.



Practical issues to consider

- Guideline identifies a process to assess and apply materiality.
- Document materiality considerations and discuss with management and oversight structures.
- Emphasise importance of clearly documenting considerations.
- Consider all available information + consider effect on future periods.

Employee Benefits – revised requirements (GRAP 25)



Background to revision of GRAP 25



Why change GRAP 25?

- GRAP 25 based on IPSAS 25, which IPSASB updated & issued as IPSAS 39
- Changes were made locally primarily to:
 - Align GRAP 25 with international requirements
 - Consider local needs



Resources available

- Secretariat's summary of changes per type of employee benefit: <https://www.asb.co.za/wp-content/uploads/2020/07/ED-184-Proposed-changes-per-type-of-employee-benefit.pdf>
- Secretariat's executive summary: <https://www.asb.co.za/wp-content/uploads/2020/07/Executive-summary-ED-184-Employee-Benefits.pdf>



Finalised documents

- Revised GRAP 25: [GRAP 25 \(2023\)](#)
- Revised IGRAP 7: [IGRAP 7 \(2023\)](#)
- FAQs: [FAQs \(Mar 2023\)](#)

What changes were made?

1. Defined benefit plans
2. Other long-term employee benefits
3. Termination benefits
4. ***IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction***



1. Defined benefit plans

What did not change?

Actuarial valuation method

- Projected unit credit method

Frequency of measurement

- Sufficiently regular that amounts do not differ materially from what would have been determined

Use of experts

- Encouraged, but not required

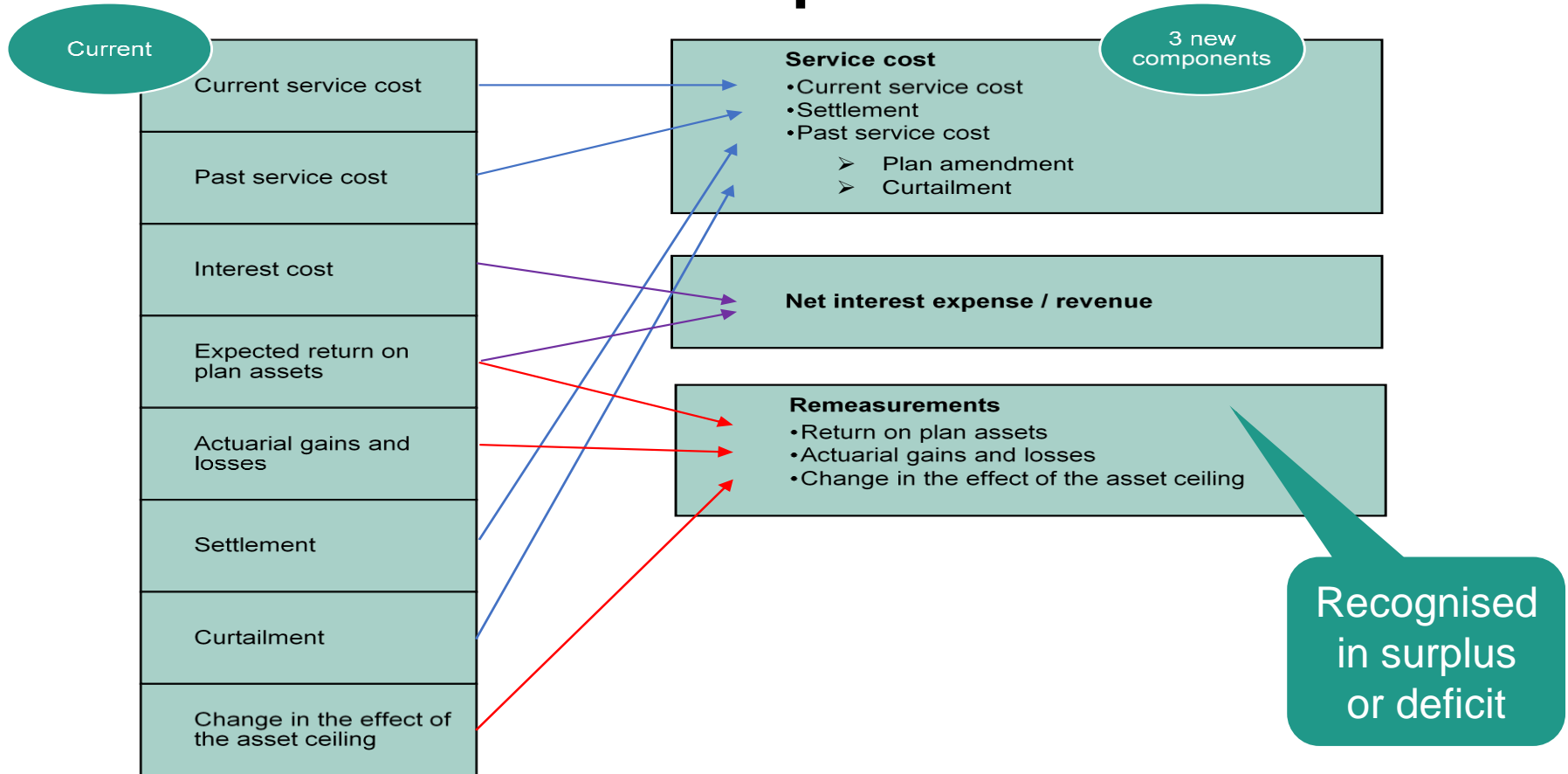


Changes to defined benefit plans

- a) Changes to components
 - Statement of financial performance & financial position
- b) Guidance on actuarial assumptions
- c) Guidance on plan amendment, curtailment or settlement
- d) Guidance on past service cost
- e) Presentation and disclosure

a) Changes to components

• Statement of financial performance





a) Changes to components

- **Statement of financial position**

Net defined benefit liability (asset)...

“the deficit or surplus (the present value of the defined benefit obligation less the fair value of plan assets *plus liabilities as a result of minimum funding requirements*), adjusted for any effect of the asset ceiling”

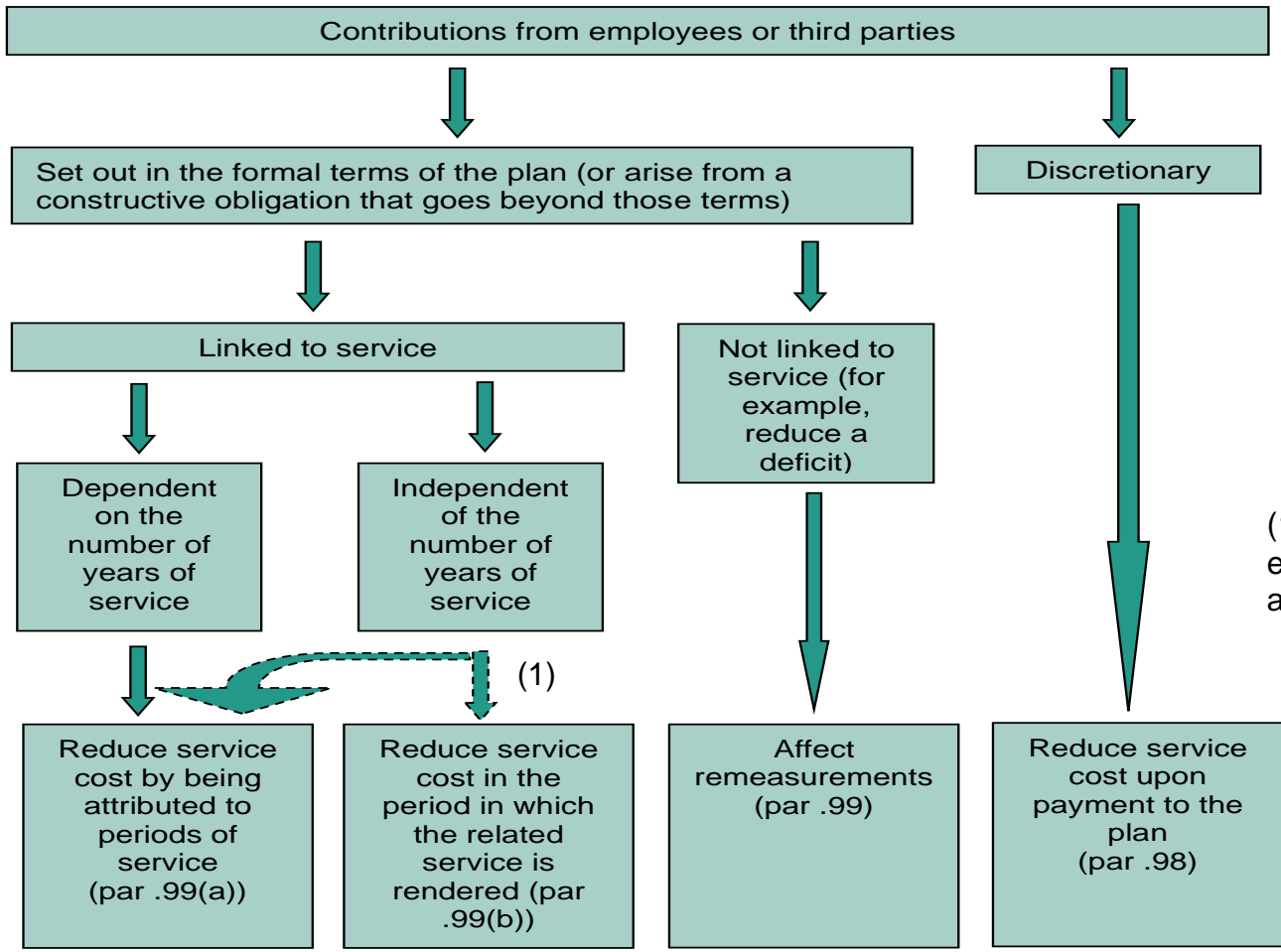


b) Actuarial assumptions

Guidance added on:

- Mortality
- Effect of any limit on employer's share of cost of future benefits
- Treatment of tax & administration costs in respect of return on plan assets
- Impact of employee & third-party contributions on salaries, benefits and medical costs

b) Actuarial assumptions



(1) The dotted arrow means that an entity is permitted to choose either accounting



c) Plan amendment, curtailment or settlement

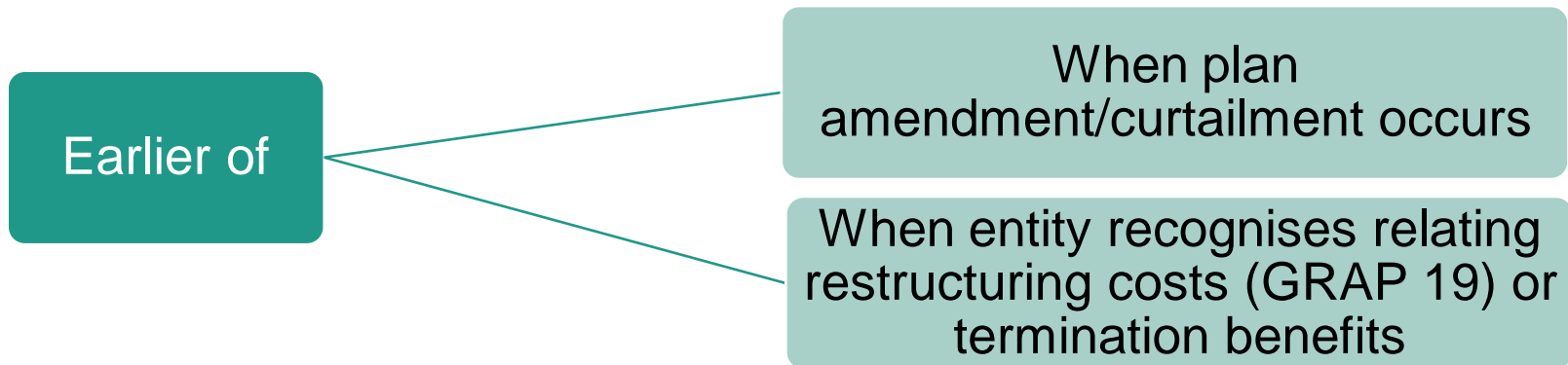
Guidance added on:

- When effect of asset ceiling is considered:
 - Only after plan amendment, curtailment or settlement
- Information to be used in determining current service cost & net interest:
 - Determined at start of annual reporting period
 - Where plan amendment, curtailment or settlement occurs, determine for remainder of reporting period using information available from plan amendment, curtailment or settlement

d) Past service cost

Guidance added on:

- Description of past service cost
 - Change in present value of defined benefit obligation resulting from a plan amendment or curtailment
- When to recognise past service cost





d) Past service cost

Guidance added on (cont.):

- **Description of plan amendment**
 - When entity introduces/withdraws defined benefit plan or changes benefits payable under existing defined benefit plan
- **Clarifying description of curtailment**
 - When entity significantly reduces number of employees covered by plan

d) Past service cost

Guidance added on (cont.):

- Clarifying a gain or loss on settlement
 - Gain/loss on settlement = difference between PV of defined benefit obligation being settled & settlement price
- Clarifying what is included in settlements
 - Include payments of benefits not set out in terms of plan



e) Presentation

Clarified:

- Offsetting assets & liabilities from different plans
 - GRAP 104 criteria
- Components of defined benefit cost
 - GRAP 1 requirements

e) Disclosure

- **Disclosure objective introduced** + guidance to meet objective
- Follows changes in requirements and guidance, primarily linked to new components
- Includes requirements for information on:
 - characteristics of defined benefit plans & risks associated with them
 - amounts in FS arising from defined benefit plans
 - how defined benefit plans may affect amount, timing & uncertainty of entity's future cash flows



2. Other long-term employee benefits





Other long-term employee benefits

- Affected by changes to defined benefit plans
- **Disclosure objective introduced** – information that:
 - explains characteristics & risks of benefits
 - identifies & explains amounts in FS
 - describes how benefits may affect amount, timing & uncertainty of entity's future cash flows
- No specific information required, refer to other Standards of GRAP, e.g.

GRAP 20

GRAP 1

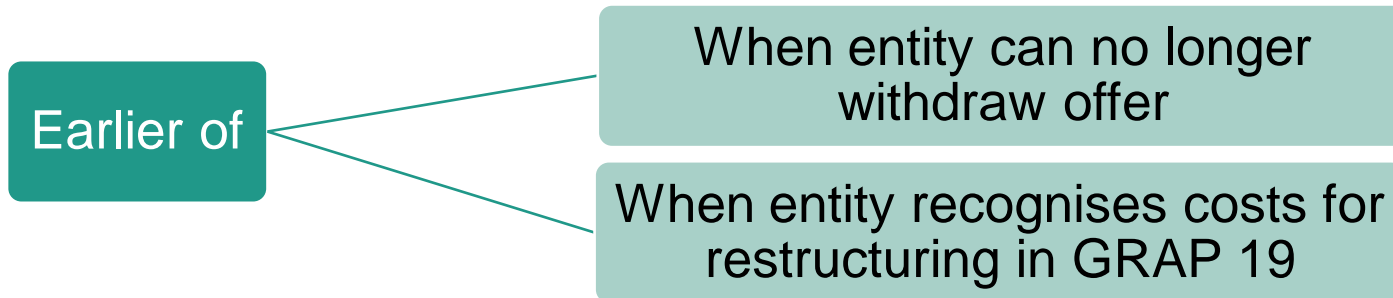
GRAP 19



3. Termination benefits

Guidance on termination benefits

- **Distinguishing** them from other employee benefits
 - Event that gives rise to obligation is termination of employment, rather than employee service
- **When** should they be recognised



- **Measurement**
 - Follows nature of termination benefit

Disclosure of termination benefits

- **Disclosure objective introduced** – information that:
 - explains characteristics & risks of benefits
 - identifies & explains amounts in FS
 - describes how benefits may affect amount, timing & uncertainty of entity's future cash flows
- No specific information required, refer to other Standards of GRAP, e.g.

GRAP 20

GRAP 1

GRAP 19

4. IGRAP 7 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IGRAP 7

- Based on IFRIC 14 on *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- **Updated IGRAP 7** to align to IFRIC 14
 - Removing unintended consequence arising from treatment of prepayments of future contributions in some circumstances when there is a minimum funding requirement (2009)
 - Consequential amendments to IFRIC 14 when IAS 19 became effective (2011)



Transitional provisions

Transitional provisions



Retrospective application

- *Except for:*
 - Adjusting carrying amount of assets outside scope of GRAP 25 for changes in employee benefit costs included in carrying amount before date of initial adoption
 - Presenting comparative information for disclosures about sensitivity of defined benefit obligation

Guideline on *Accounting* *for Landfill Sites*





Objective and scope

- Authority – no replacing of principles
- Objective – entities that manage and operate landfill sites
- Scope – land, landfill site asset, and landfill rehabilitation provision
- Consider applicable legislation



Accounting for Land: Recognition

- GRAP 17: land separate from buildings & other structures
 - i.e. separate from landfill site asset
- Recognise land when meet:
 - definition &
 - recognition criteria
- IGRAP 18: criteria to assess control of land



Accounting for Land: Classification

- Meets definition of property, plant and equipment (PPE)
- Initially reclassify to PPE if pre-existing land, using principles in relevant Standards
- Assess change in use when implementing end-use plan



Accounting for Land: Initial measurement

- Acquired: measured at cost
- Non-exchange transaction: FV
- Transferred: GRAP 105/106/107
- Pre-existing land reclassified: apply applicable Standards
- Impairment = consider GRAP 21 and GRAP 26



Accounting for Land: Subsequent measurement

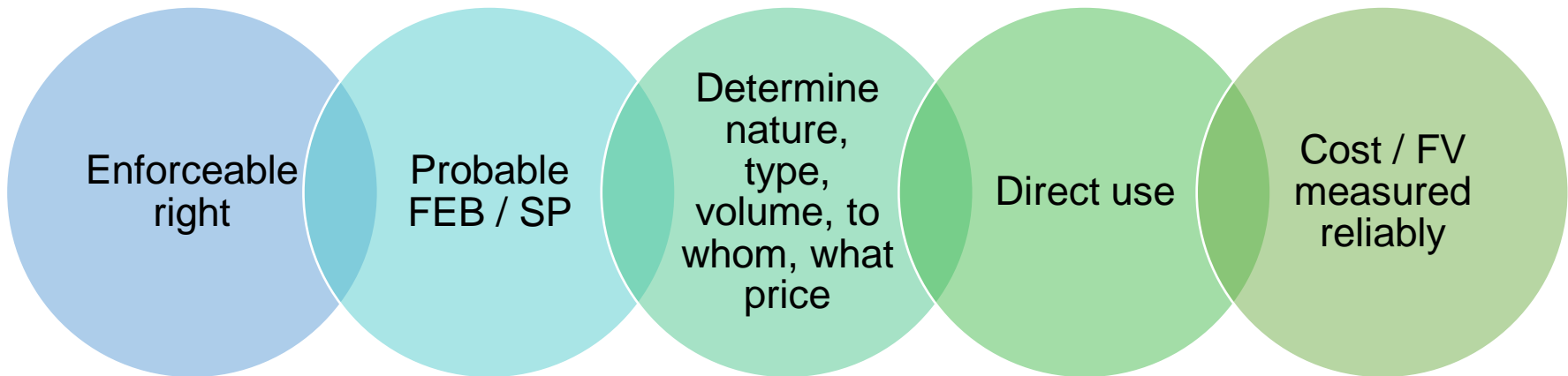
- Cost or revaluation model
- Depreciation: land unlimited useful life and not depreciated
- Assessed for impairment, or reversal of impairment, annually

Guidance on accounting for landfill site asset



Recognition and classification

- Recognise when definition and recognition criteria met



- Classify as PPE

Measurement: development and construction

- Initially at cost; non-exchange: FV
- Development & construction costs capitalised or expensed?
 - Distinguish prior / after approval from licencing authority to commence with licence application report

Prior approval	After approval
Likely to expense	Expense or capitalise based on criteria and judgment

Measurement: development and construction (cont.)

- Apply accounting policies i.t.o. GRAP

- | |
|---|
| a) Probable FEB / SP |
| b) Technically feasible will be approved |
| c) Able to complete & use for waste disposal activities |
| d) Adequate resources |
| e) Reliably measurable |

- Cease capitalisation when in location & condition necessary to operate in manner intended by management

Measurement: development and construction (cont.)

- Elements of cost: GRAP 17

a) Purchase price

- Cash price equivalent
- Deferred payment: interest

b) Directly attributable costs

- Judgement to assess costs that are:
- Directly attributable
 - Separate assets

c) Initial estimate costs to dismantle & restore

- May include estimates of costs to be incurred

- Assess for impairment



Measurement: completed asset

- Cost / revaluation model
- Only capitalise further costs if:
 - Probable FEB / SP
 - Measured reliably
- Monitoring & inspection while operating:
 - Improvement / enhancement of FEB / SP and measured reliably: **Capitalise**
 - No improvement / enhancement: **Expense**

Measurement: completed asset

Depreciation:

Judgement

Available for use

Derecognised

- Each significant component separate
- Useful life
 - Landfill site asset = period available for use
i.e. while in operation + stores waste
 - Significant components: same assessment as for landfill site
- Method: reflect pattern of consumption



Measurement: completed asset

- Impairment
 - GRAP 21 / GRAP 26 assess annually for indicators
- Changes in cost of rehabilitation
 - Impacts cost of landfill site asset



Derecognition

- When no FEB / SP
- Trenches / cells vs. whole landfill site
- Fully derecognised by end of post-closure monitoring & inspection



Guidance on accounting for rehabilitation provision



Recognition

- Obligation to rehabilitate – GRAP 19

Trenches / cells

- Obligations to:
 - Dismantle and remove constructed assets and rehabilitate land *when construction commences*
 - Rehabilitate environmental damage *when waste disposal commences*

Smaller landfill site

- Obligation to rehabilitate land *when waste disposal commences*

- Recognition does not depend on funding



Measurement

Cash flows

Amount

- Best estimate of expenditure required to settle present obligation at reporting date
- Time value for money
- May include:

a) Costs to dismantle, remove, restore

b) Pre-closure planning & approval

c) Final rehabilitation & closure

d) Monitoring & inspection after closure



Measurement (cont.)

Discount rate %

Pre-tax

Reflect current market assessment of time value of money & risks specific to liability

Adjust for factors relevant to landfill site

Consistent with estimated cash flows required to settle provision

Includes / excludes inflation, depending on cash flows



Measurement (cont.)

- Use of provision:
 - As expenditure incurred provision reduced
 - All / part no longer needed ➡ derecognise
- Change in estimate:
 - IGRAP 2
- Change after closure:
 - Surplus / deficit

Other considerations



Other considerations

- Funding received to rehabilitate: apply GRAP 23
 - By entity itself: non-exchange revenue
 - To another party: service received in-kind
- Arrangement with other party to undertake waste disposal activities
 - Assess nature of relationship based on rights and obligations in arrangement
- Revenue generated from landfill activities – GRAP 9 or GRAP 23
- Fines and penalties



Applying the Guideline

- Apply GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*
- Judgement

Getting ready for Financial Instruments (revised 2019)





Ready for GRAP 104?

Effective date: 1 April 2025

- GRAP 104 fit
 - Understand the new requirements
 - Familiar with how the changes will affect your entity
- Understand where and how to obtain information to apply the revised Standard
- Processes and systems changes
- Gather historical data for retrospective application

Key changes

- Why the change?
 - Changes in IFRS 9 and IPSAS 41 - to address shortcomings in the classification and measurement of financial instruments that were highlighted during the financial crisis.
- Most significant changes:
 - Scope - financial guarantee contracts and some loan commitments now in scope. Previously GRAP 19.
 - Classification - same number of categories, classification principles substantially changed.
 - Subsequent measurement – impairment model

Scope

- Financial guarantee contracts and loan commitments now in GRAP 104, not GRAP 19.

Financial guarantee contracts

- Financial guarantees versus other guarantees.
- Initial measurement at fair value - usually equal to consideration received.
- Subsequently at higher of fair value less amortisation and ECL.



Scope

Loan commitments

- Not all loan commitments fall in the scope of GRAP 104.
- Initial measurement at fair value - usually equal to consideration received.
- Subsequently at higher of fair value less amortisation and ECL.
- Measurement of *commitments to provide concessionary loans* includes the value of any social benefit provided.

Classification

Classification of financial assets

Amortised cost

Old GRAP 104

Non-derivative
Fixed or determinable payments
Not held for trading or
designated at fair value

New GRAP 104

Management model – hold to
collect cash flows
Solely payments of principal and
interest

Fair value

Old GRAP 104

Derivatives, held for trading,
designated at fair value

New GRAP 104

Management model – hold + sell,
sell
Do not meet SPPI



Impairment

Change in impairment model

Financial assets at amortised cost

Old GRAP 104

Incurring loss model
Focusses on historical data
Does not allow for timely action

New GRAP 104

Expected credit loss model
Past, current and future data
More timely decision making

New model

- Two step approach ➡ 1) Determine the period over which credit losses calculated and 2) Determine ECL.
- Probability weighted

Impairment

Financial performance

Impairment gain or loss = amount of expected credit losses (ECL) to adjust **the loss allowance** [based on either lifetime or 12 month losses] at reporting date.

ECL: weighted average of credit losses with the respective risks of a default occurring as the weights.

Financial position

Loss allowance

Step 1: Period over which losses calculated

Significant change in credit risk

- 12 month or
 - Lifetime
- [Indicators]

Lifetime for receivables and lease receivables

- Significant change in credit risk = risk of default occurring.
- Assess change in default between reporting date and initial recognition.
- Default not later than 90 days past due.
- Significant change in credit risk if 30 days past due.
- Individual or collective basis.
- Group based on common risk characteristics.
- Use reasonable and supportable information without undue cost and effort.

No significant change for instruments with low credit risk.

Impairment

Financial performance

Impairment gain or loss = amount of expected credit losses (ECL) to adjust **the loss allowance** [based on either lifetime or 12 month losses] at reporting date.

ECL: weighted average of credit losses with the respective risks of a default occurring as the weights.

Financial position

Loss allowance

Step 2: Calculate expected credit losses

Credit loss is PV of difference between cash flows (CF) due under contract vs amount an entity expects to receive.

Include collateral, unless not used.

- *Probability weighted* estimate of credit losses over 12 months or lifetime.
- Consider what CF an entity expects to receive, and when they will be received.
- Discounted using EIR or CAEIR.
- Use reasonable and supportable information, available without undue cost or effort → past events, current conditions and forecasts of future economic conditions.
- Consider economic conditions of borrower, general economic conditions, and current & forecast conditions.
- Internal / external data or peer group.

Provision matrix for receivables

Transitional provisions



What are they?

- Provide direction to preparers to implement the new GRAP requirements.
- Explain how the requirements should be applied on initial adoption (1 April 2025 or earlier if chosen).



Where to find it?

- Approved and not yet effective ➔ GRAP 104
➔ Final transitional provisions for GRAP 104
- Will be incorporated in the relevant Directives when effective.
- It is the same in all the Directives, i.e. requirements are the same for all types of entities.

General provisions

Retrospective application per GRAP 3 with some relief

- Apply retrospectively - as if that policy had always been applied.
- **Not required to restate prior period.** Adjust opening balance of net assets of current period.

Retrospective application vs Retrospective restatement

General provisions

- Do not apply to financial instruments (FI) that have already been derecognised at the date of adoption.
- May early adopt – adopt entire Standard. Piecemeal adoption not permitted.
- Date of **initial adoption** = date when entity first applies the requirements.



Classification and measurement

- On the date of initial adoption, entity assesses whether financial assets are held within a management model whose objective is to hold the assets in order to collect contractual cash flows.
- Based on the facts and circumstances that exist at that date of initial adoption.
- Resulting classification applied retrospectively irrespective of the entity's management model in prior reporting periods.



Classification and measurement

- At the date of initial adoption, entity may designate a financial asset as measured at fair value through surplus or deficit (FVSD).
- Designation based on the facts and circumstances that exist at that date of initial adoption.
- Classification applied retrospectively.

Impairment

- Apply retrospectively - entities measure impairment losses using expected credit losses (ECL) at the date of adoption.
- Not required to restate comparative information. Recognise adjustments to carrying amount in the opening accumulated surplus or deficit.

Impairment

- At the date of initial adoption, entity uses *reasonable and supportable information that is available without undue cost or effort* to determine the credit risk at the date that the FI was initially recognised and compare that to the credit risk at the date of initial adoption.
- If there would be undue cost and effort to determine whether there has been a significant increase in credit risk, entity recognises a loss allowance at an amount equal to a lifetime ECL at each reporting date until that financial instrument is derecognised.

Disclosure

- Quantitative disclosure in a table format
 - Previous classification, current classification and carrying amounts for both classifications
 - FI previously measured at FVSD, now reclassified to amortised cost distinguishing between those that the Standard requires an entity to reclassify and those that an entity elects to reclassify.
- Reconcile previous measurement categories and asset classes with new categories and asset classes.
- Reconcile ending impairment allowances to opening loss allowances.

Disclosure

- Additional disclosures for FI classification out of FVSD to amortised cost
 - Fair values;
 - Effective interest rate on adoption date; and
 - Interest recognised.
- Qualitative disclosures:
 - Classification criteria applied to those financial assets whose classification changed; and
 - Reasons designation or de-designation of FI measured at FVSD at initial adoption.



Resources

- Fact Sheets: [GRAP 104 revised](#)
- FAQs: [FAQs on revised GRAP 104](#)
- Supporting Adoption of Standards – Presentations: [GRAP 104 support](#)
- GRAP 104 Reference Group

Overview of ASB activities





April 2024 Board meeting decisions

Project	Stage	Next steps
GRAP 109 <i>Accounting by Principals and Agents</i> Post-implementation Review	Review of Results	Develop Exposure Draft to amend GRAP 109, FAQs and other actions agreed
Proposed amendments to Directive 5 <i>Determining the GRAP Reporting Framework</i>	Exposure Draft approved	Public consultation process on proposed amendments until 30 June 2024



Exposure Drafts available for comment



Exposure Drafts available for comment

Project	Stage	Next steps
ED 207 Post-implementation review of GRAP 108 <i>Statutory Receivables</i>	Consultations are ongoing. The comment deadline is 27 October 2024.	The results of the review will be tabled at the March 2025 Board meeting.
ED 208 Amendments to the Directive on <i>Determining the GRAP Reporting Framework</i>	ED has been published. Consultation has begun. The comment deadline is 30 June 2024.	The final Directive will be tabled at the September 2024 Board meeting.
ED 209 Amendments to Consider IFRIC Interpretations	IPSASB ED 89. Exposed concurrently. Consultations begin in May. The comment deadline is 7 June 2024.	Comment incorporated into the comment letter issued by the ASB.

ED 207

GRAP 108 Post- implementation review





Background to the PIR

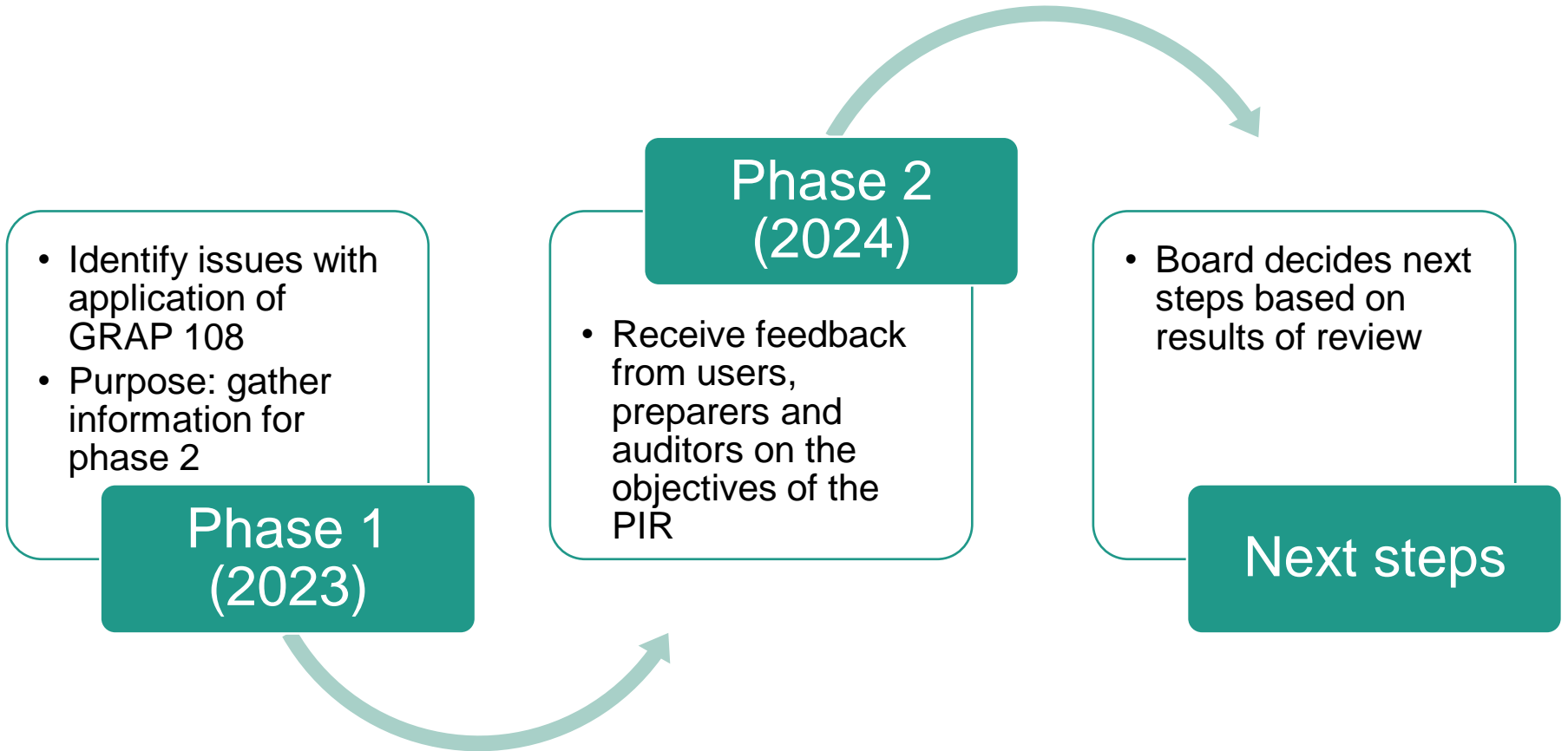
- GRAP 108 effective from 1 April 2019 for all entities (except trading entities - 1 April 2021)
- Three-year transition for classification and measurement
- Available guidance to assist with implementation:
 - Secretariat's FAQs → ([Frequently asked questions – ASB](#))
 - GRAP 104 on *Financial Instruments* Fact Sheets #1 & #11 ([Fact-Sheet-1-Definition-of-a-financial-instrument-March-2022.pdf](#) and [Fact Sheet 11 - Classification of VAT \(18 July\) \(asb.co.za\)](#))
 - OAG GRAP Accounting Guideline ([Accounting Guideline on GRAP 108 Issued September 2022.pdf](#) ([treasury.gov.za](#)))

Objectives of the post-implementation review

- PIR to assess if GRAP 108 met its objectives and:

Users	Determine extent to which GRAP 108 provides relevant & useful information to users of financial statements and identify what other information users require on statutory receivables
Preparers	Understand implementation challenges, and extent to which these challenges hamper application of GRAP 108 requirements
Auditors	Understand audit issues raised on accounting for statutory receivables

Phases of the post-implementation review





Have your say

- ED 207 *Invitation to Participate in PIR of GRAP 108* on website: [ED 207](#)
- Participate through:
 - Any form of written submission to info@asb.co.za
 - Survey questionnaire
 - Stakeholder engagements – contact amandab@asb.co.za to ensure you are invited
- Comment period closes **27 October 2024**

ED 208

**Amendments to the Directive
on *Determining the GRAP
Reporting Framework*
(Directive 5)**



Background to proposed amendments

- Stakeholders have inquired about the potential implications of pronouncements that are **not yet effective**, as well as those from other standard-setters on the GRAP Reporting Framework.
- Stakeholders were particularly uncertain about when they would be permitted to **formulate accounting policies** using the Standards of GRAP.
- The Secretariat developed **Frequently Asked Questions** (FAQs) to address these queries and explain these principles.
- **The Board resolved** to amend the Directive on *Determining the GRAP Reporting Framework* (Directive 5), to clarify these principles in Directive 5.

Proposed key amendments

Development of accounting policies:

- **Amendments** to Standards of GRAP which the Board has approved but for which the Minister of Finance has not yet determined an effective date shall not be used to develop accounting policies.
- Entities are permitted to develop accounting policies when there is no Standard of GRAP that specifically applies to a transaction or event.
- Entities should **continue to apply existing Standards of GRAP** as per Directive 5. Entities are only permitted to adopt amendments to Standards of GRAP once an effective date has been determined by the Minister.





Proposed key amendments

Applying international standards:

The Board reviews the status of international pronouncements issued by the IPSASB and IASB annually. International pronouncements that form part of the GRAP Reporting Framework, as determined by the Board, are included in the appendices.



Therefore

Entities shall not apply any standards and pronouncements issued by other standard setters that are not included in the appendices.





Have your say

- ED 208 on Amendments to Directive 5 on *Determining the GRAP Reporting Framework* on website: [ED 208 – ASB](#)
- Submit your comment letter to info@asb.co.za
- Contact siyasangan@asb.co.za for info
- Comment period closes **30 October 2024**

ED 209

Amendments to Consider IFRIC Interpretations



Background

- Narrow scope amendments to IPSAS. IPSASB issued ED 89.
- ASB aligns its Standards of GRAP with IPSAS where appropriate → amendments to IPSAS are exposed locally to ensure that local stakeholders are informed of and can contribute to the process.
- ED considers IFRIC and SIC interpretation by the IFRS IC to determine their relevance to the public sector for incorporation into IPSAS.

IFRICs and SICs considered

Propose to include:	Propose not to include:
IFRIC 1 <i>Changes in Decommissioning, Restoration and Similar Liabilities</i>	IFRIC 6 <i>Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>
IFRIC 5 <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	SIC 7 <i>Introduction of the Euro</i>
IFRIC 7 <i>Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies</i>	
IFRIC 14 <i>IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	
IFRIC 21 <i>Levies</i>	

Have your say

- ED 209 Amendments to *Consider IFRIC Interpretations*: [ED 209 – ASB](#)
- Submit your comment letter to info@asb.co.za
- Contact siyasangan@asb.co.za for info
- Comment period closes **7 June 2024**

Projects in progress



Projects in progress

Project	Status	Next steps
<i>ED 205 Social Benefits</i>	<p>Consultation process closed.</p> <p>Secretariat is analysing the comment received and developing responses.</p>	<p>The Board will likely approve the final Standard in July 2024.</p> <p>The next phase is to develop the transitional provisions and effective date.</p>
<i>Review of GRAP 20 Related Party Disclosures</i>	<p>Desktop review of public sector entities' financial statements completed; to commence discussions with stakeholders</p>	<p>Table results of the review at the July 2024 Board meeting.</p>

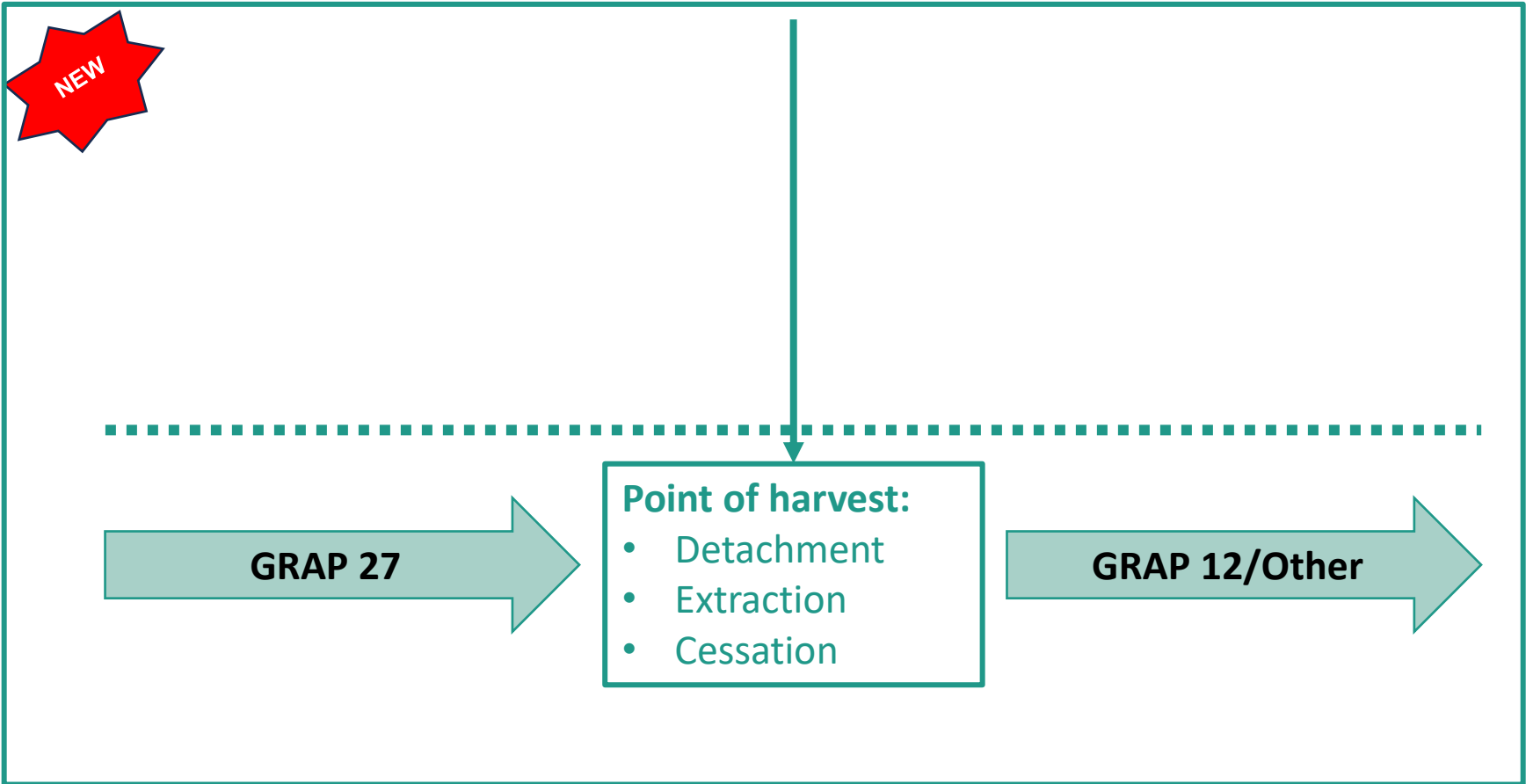
Projects in progress

Project	Status	Next steps
Measurement	Initial research on whether the international public sector measurement guidance would be appropriate for the local environment. Commencing discussions with stakeholders	Issues paper to the Board in December 2024

Recently issued FAQs



What is harvested produce in the case of living animals?



Are liabilities for employee benefits in the scope of GRAP 104?



GRAP 104

- An employer's contract with an employee specifies **third party payments** which the employee requires the employer to pay on the employee's behalf. E.g. pension, medical etc. These are not liabilities for payments to an employee in exchange for an employee's service and are therefore not in the scope of GRAP 25.





GRAP 25

- Liabilities for payments to an employee **in exchange for an employee's service** e.g. salaries, bonus etc.
- Employers' rights and obligations relating to employee benefits are outside the scope of GRAP 104 (104.02(b))



Other FAQs

- Section 2 for the 2023/2024 reporting framework
- FAQ 1.2 on *What is the effective date of the Conceptual Framework?*
-  • FAQ 1.4 on *How should the old and new Conceptual Framework be read with the Standards of GRAP?*
- FAQ 2.10 on *When does the three-year transitional period relating to the initial adoption of Standards of GRAP expire?*
-  • FAQ 2.15 on *What is the difference between transitional provisions and the measurement period?*
- FAQ 7.12 on *What is the interaction between GRAP 11 and the Housing Guideline?*

Enhancing the application of Standards of GRAP





Enhancing the application of Standards of GRAP

Project	Background	Next steps
Enhancing the Application of the Standards of GRAP	Project to improve how the Standards of GRAP are applied, and how the information prepared using Standards of GRAP is improved. The project targets both preparers and users of financial statements.	Content is added to YouTube quarterly, and includes topical subjects including on assets and how to use the financial statements. Board approved 2024/25 plan in April.



Content available

Revaluation of assets

Fully depreciated assets

Why is applying GRAP 17 important?

Accounting for land using only title deeds

Classification of assets-asset decision tree

Addressing common questions on depreciation

Overview of financial reporting

How are financial statements prepared?

Principles to prepare financial statements

Asset side of the Statement of Financial Position

Liability side of the Statement of Financial Position

Understanding your municipal finances

The cash flow statement and its importance

Revenue side of the Statement of Financial Performance

Expense side of the Statement of Financial Performance

About the ASB and its work

How to use the Standards of GRAP

Reporting frameworks in the public sector

GRAP Reporting Framework 2023 onwards

Improving the quality of financial statements

Are the Standards of GRAP linked to international standards?



Access the content



Recordings on
ASB YouTube
channel

https://www.youtube.com/playlist?list=PLku97Kuc72ICTpqRcOqcDwaAGnWG_ySFo



Slides on ASB
website

<https://www.asb.co.za/enhancing-the-application-of-standards-of-grap/>



Stay informed

- All information can be accessed on our website www.asb.co.za.
- FAQs
- Follow the ASB on LinkedIn, Facebook, Twitter, YouTube
- Subscribe to our Newsletter via our website.
- Translations of the Standards.
- GRAP updates on YouTube

Contact details

Tel: (011) 697-0660

Fax: (011) 697-0666

Email: info@asb.co.za

Website: www.asb.co.za

