ANALYSIS AND RESPONSES TO VERBAL COMMENT RECEIVED ON THE EXPOSURE DRAFT ON

PROPOSED AMENDMENTS TO THE STANDARD OF GRAP ON ACCOUNTING BY PRINCIPALS AND AGENTS (GRAP 109)

(ED 215)

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ED 215

RESPONSES TO THE VERBAL COMMENT RECEIVED ON THE EXPOSURE DRAFT ON *PROPOSED AMENDMENTS TO THE STANDARD OF GRAP ON ACCOUNTING BY PRINCIPALS AND AGENTS (GRAP 109)* (ED 215)

The Accounting Standards Board (Board) approved an Exposure Draft on *Proposed Amendments to the Standard of GRAP on Accounting by Principals and Agents (GRAP 109)* (ED 215) in September 2025. A Notice was published in the Government Gazette on 24 October 2025 (Notice 53574). The comment period closed on 13 February 2026.

To maximise participation in the Board's due process, the Exposure Draft was discussed with preparers, auditors, consultants, technical specialists and other interested parties by way of roundtable and other discussions. The results of these consultations are summarised in this document. The comment received is analysed based on the questions outlined in the Invitation to Comment published by the Board, along with any general comments noted by respondents.

The summary of the written comment received on ED 215 is included in a separate analysis.

VERBAL COMMENT RECEIVED ON THE EXPOSURE DRAFT ON *PROPOSED AMENDMENTS TO THE STANDARD OF GRAP ON ACCOUNTING BY PRINCIPALS AND AGENTS (GRAP 109)* (ED 215)

No.	Name/Organisation	Preparers	Users	Auditors	Other interested parties
1.	Public entities and other PFMA preparers and users	X	X		
2.	Local government preparers and users	X	X		
3.	Auditors and technical specialists			X	X
4.	Public Sector Accounting Forum (PSAF) members	X	X	X	X
5.	Office of the Accountant-General (OAG) and the Reserve Bank	X	X		
6.	Western Cape Accounting Working Committee	X			

SUMMARY AND ANALYSIS OF VERBAL COMMENT RECEIVED ON THE EXPOSURE DRAFT ON *PROPOSED AMENDMENTS TO THE STANDARD OF GRAP ON ACCOUNTING BY PRINCIPALS AND AGENTS* (GRAP 109)

ED 215

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**BOARD'S RESPONSE**
In clarifying the existing requirements of GRAP 109 on assessing whether an arrangement is a principal-agent arrangement, the following amendments are proposed: (a) combine the guidance on binding arrangements in the definition section of the Standard (see paragraphs .05A to .05F); (b) add guidance to clarify that a binding arrangement can consist of various mechanisms that should be read together, and that judgement is applied to assess if there is a binding arrangement (see paragraphs .05B and .05D); (c) clarify that assessing whether an arrangement is a principal-agent arrangement should be undertaken before accounting for the arrangement using GRAP 109 (see paragraphs .08D and .16); (d) add guidance to explain that a single binding arrangement may establish multiple rights and obligations for different activities, but not all the activities and related transactions may meet the definition of principal-agent arrangement (see paragraphs .05B and .08I); (e) clarify that, even though the definitions of a principal and an agent require the principal to direct the agent in undertaking transactions with third parties, the direction does not imply that an active action is required. The direction can be established by the rights and obligations in the binding arrangement (paragraph .08C); (f) add guidance that explains that the roles and responsibilities of the parties should be assessed for each transaction undertaken with third parties or a group of transactions that share similar characteristics (see paragraph .08F); (g) require an entity to re-assess whether the arrangement continues to be a principal-agent arrangement if there is a modification to the binding arrangement (see paragraphs .05E and .05F); (h) clarify the nature of the rights and obligations of the parties to a principal-agent arrangement (see paragraph .13B); and (i) clarify the application of substance over form to conclude whether the arrangement meets the definition of a principal-agent arrangement (see paragraph .08E). Do you agree that the proposed amendments will assist with the application of GRAP 109? Please explain your response.		
1.1	**Public entities and PFMA preparers**	
1.1.1	Stakeholders supported the proposed amendments.	Noted.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**BOARD'S RESPONSE**
	Some stakeholders questioned whether an entity needs to apply judgement where it is evident that a binding arrangement is established in legislation.	GRAP 109.05A explains that a binding arrangement may be evidenced by a number of mechanisms, which include legislation, supporting regulations or similar means. Even if legislation establishes a binding arrangement, applying judgement may be minimal, but it is not eliminated. The entity may still need to confirm that the legislative provisions (and any related mechanisms) create a binding arrangement as defined in GRAP 109 and that the rights and obligations established in the arrangement meet the definition of a principal–agent arrangement. As GRAP 109 already clarifies the application of judgement, no further action is required.
1.1.2	There are various public sector examples where there is no evidence that a binding arrangement exists between parties, either through a formally documented arrangement or in legislation. Despite the lack of formal arrangements, entities continue to undertake transactions on behalf of other entities. For example, municipalities collect vehicle licence fees on behalf of a provincial department of transport. In these instances, entities continue to account for the transactions undertaken on behalf of another entity based on past practice.	GRAP 109.05C explains that in the absence of a formal agreement, an arrangement that establishes rights and obligations for the various parties to the arrangement through past actions which, over time, result in either party having no realistic alternative but to act in a certain way in relation to the arrangement, may give rise to a binding arrangement for purposes of GRAP 109. The Board's rationale for this principle is explained in paragraph BC23. An entity should apply judgement to assess whether a binding arrangement exists in the absence of a formal agreement. As GRAP 109 already includes guidance; no further action is required.
1.1.3	The amendment clarifies that the "direction" from the principal to the agent may not be a specific action from the principal. This means that the "direction" can be established by the rights and obligations from the binding arrangement. The inclusion of an example in paragraph .08C will assist in further clarifying the concept of "direction".	No action is required as clarification is included in GRAP 109.08C to explain that the principal does not need to provide "active" direction to an agent for it to undertake transactions with third parties.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**BOARD'S RESPONSE**
1.1.4	More guidance on the application of substance over form will be useful, as entities may reach different conclusions when considering the economic substance of an arrangement.	"Substance over form" is an accounting concept that underpins principle-based standards that are applied across accounting Standards. An entity needs to apply judgement to conclude on the economic substance of an arrangement. As "substance over form" is an overarching principle, guidance on how to apply it to a specific arrangement is not required in the Standard. Stakeholders can refer to the YouTube recording and related presentation that explain what applying "substance over form" means.
1.1.5	There is uncertainty about whether substance over form should be applied in assessing all arrangements, irrespective of whether an arrangement is material.	Materiality and applying substance over form are two different concepts that are applied separately. Standards of GRAP apply to all material transactions and events. The Guideline on *The Application of Materiality to Financial Statements* (Materiality Guideline) provides guidance in this regard. Paragraph 8.32 in the *Conceptual Framework for General Purpose Financial Reporting* explains that all material transactions, events, and other items reported should be presented in a manner that conveys their substance rather than their legal form.
1.1.6	In applying GRAP 109 in practice, entities often assess whether an arrangement is a principal-agent arrangement at the same time as assessing whether they are the principal or the agent. Some stakeholders questioned how to practically apply the amendment that clarifies that an entity first needs to assess whether an arrangement is a principal-agent arrangement before accounting for the transaction in terms of the Standard.	GRAP 109 sets out two steps that need to be performed separately (a) first assess whether the arrangement meets the definition of a principal-agent arrangement, and (b) then determine whether the entity is the principal or the agent. This is clarified in GRAP 109.08D and GRAP 109.16 that explain that assessing whether an entity is the principal or agent shall not be undertaken before it is concluded that the arrangement meets the definition of a principal-agent arrangement.
1.2	**Local government preparers and users**	
	The proposed amendments are supported.	Noted.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**BOARD'S RESPONSE**
1.3	**Auditors and technical specialists**	
1.3.1	Stakeholders supported the proposed amendments.	Noted.
1.3.2	Arrangements continue to use terminology such as "a principal-agent arrangement" or arrangements include references such as "agent representation", "mandated agent" or "agency fee". Some entities then automatically account for the arrangement as a principal-agent arrangement using GRAP 109 without considering the arrangement's economic substance. GRAP 109 should be clear that even though an arrangement is labelled "principal-agent arrangement" or uses terminology that may imply that the arrangement is a principal-agent arrangement, GRAP 109 should only be applied if the definition of a principal-agent arrangement is met.	Noted. No further action is required as GRAP 109 already includes sufficient guidance that explains the concept of "substance over form" (see GRAP 109 paragraphs .08E and .21). Guidance is also included in the OAG's presentation on Understanding Principal-agent Arrangements that applies to GRAP 109 and the Modified Cash Standard (MCS) (as included on the Knowledge Hub).
1.3.3	Where legislation establishes rights and obligations for a party to undertake transactions on behalf of, and for the benefit of another entity, the principal never "directs" the agent as the direction is established in the relevant legislation. Even though clarification has been included in paragraph .08C to explain this, it is proposed that the principle be expanded to explain how a principal can direct an agent through legislation in the absence of any other formal agreement between the parties.	Refer to the response to comment 1.1.3.
1.4	**PSAF members**	
1.4.1	Members supported the proposed clarifications included in GRAP 109.	Noted.
1.4.2	Judgement is applied when considering substance over form, and to assess whether a binding arrangement exists in the absence of any formal written agreement.	Noted.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**BOARD'S RESPONSE**
	It was questioned whether any guidance is available or can be included in GRAP 109 on how to apply judgement in assessing the economic substance of an arrangement to conclude on the nature thereof or to conclude whether a binding arrangement exists.	The need for an entity to apply judgement is pervasive throughout the Standards of GRAP. Applying judgement involves the process of making informed decisions in applying the Standards to transactions and events using the entity's specific facts and circumstances. Illustrating how an entity should apply judgement is an application matter that is not within the ASB's mandate. Therefore, no amendment is needed to demonstrate how judgement should be applied in concluding whether a binding arrangement exists. Stakeholders can refer to the YouTube recording and related presentation that explain the application of judgement as part of disclosing information on significant judgements and uncertainties.
1.5	**OAG and Reserve Bank**	
1.5.1	In practice, departments often have arrangements with their public entities. Within a single binding arrangement, various rights and obligations for different activities can be established, but not all these activities will result in a principal-agent arrangement. Entities should assess each of these activities separately based on the rights and obligations established in the binding arrangement, irrespective of how an activity is carried out by another entity, or how the activities were classified in prior periods.	No action is required as GRAP 109 paragraphs .05B and .08I explain that a single binding arrangement may establish multiple rights and obligations for different activities, but not all the activities and related transactions may meet the definition of a principal-agent arrangement.
1.5.2	Stakeholders questioned how the rights and obligations of the parties will be determined in the absence of a binding arrangement.	Refer to the response to comment 1.1.2.
1.6	**Western Cape Accounting Working Committee**	
	Members supported the proposed amendments.	Noted.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**BOARD'S RESPONSE**
Specific matter for comment 2 **To address users' information needs, the ED proposes the following amendments to the disclosure requirements of GRAP 109:** **(a) include a disclosure objective that replaces the guidance in GRAP 109 on materiality and aggregation of information for disclosure purposes to enable preparers to consider whether the disclosures meet their users' information needs (see paragraph .60A);** **(b) expand the existing disclosure requirement to include disclosure of significant judgements in assessing whether an arrangement is a principal-agent arrangement (see paragraph .62A(a)); and** **(c) include a cross-reference to the encouraged disclosure in GRAP 2 on *Cash Flow Statements* to disclose the amount and nature of restricted cash balances (see paragraph .63A).** **Do you agree that the proposed amendments will assist preparers with meeting users' information needs? Please explain your response.**		
2.1	**Public entities and other PFMA preparers**	
2.1.1	Stakeholders supported the proposed amendments to the GRAP 109 disclosure requirements	Noted.
2.1.2	GRAP 1 on *Presentation of Financial Statements* allows an entity to present additional information to that required by the Standards of GRAP. It was questioned whether a disclosure objective is needed.	A disclosure objective is included to enable preparers to consider the information needs of their users, whether the disclosures required by GRAP 109 will address these needs, and to allow preparers to provide additional information to their users if needed. The requirement to provide information in addition to that required by a specific Standard of GRAP to meet users' information needs is consistent with the requirements in paragraph .15 of GRAP 1 on *Presentation of Financial Statements*. Stakeholders can also refer to the YouTube recording and related presentation that explain when and how an entity can provide information that is not required by the Standards of GRAP.
2.1.3	With reference to disclosure requirements that require an entity to disclose "significant judgements", more guidance is needed to understand what	"Significant judgement" is a concept used in many principle-based Standards. As GRAP 109 is principle-based, no further action is required as entities should apply the concept to their unique circumstances.

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**BOARD'S RESPONSE**
	"significant" entails. This is because something that may be "significant" for one entity may be "insignificant" for another.	Stakeholders can refer to the YouTube recording and related presentation that explain the use and meaning of thresholds, such as "significant".
2.1.4	With reference to the inclusion of a disclosure objective, some stakeholders were uncertain whether the GRAP 109 disclosures should be provided for each principal-agent arrangement, or whether the arrangements may be aggregated for disclosure purposes.	Standards of GRAP apply to material transactions and events, and the application of materiality is pervasive to the preparation of financial statements. The Materiality Guideline and paragraphs .36 to .38 of GRAP 1 provide guidance on materiality and the aggregation of information for financial statement purposes.
2.2	**Local government preparers and users**	
2.2.1	Stakeholders supported the other proposed amendments.	Noted.
2.2.2	GRAP 1 already requires an entity to disclose significant judgements. The need to include a specific requirement in GRAP 109 to disclose significant judgements is therefore unnecessary.	GRAP 1 requires an entity to disclose the judgements management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements. The amendment in GRAP 109.62A(a), together with the existing disclosure requirement in paragraph .62A(b), applies the GRAP 1 requirement in the specific context of principal–agent arrangements. The disclosures identify the areas of judgements that are expected to be significant in applying GRAP 109 (i.e., concluding whether an arrangement meets the definition of a principal–agent arrangement and, if so, whether the entity is the principal or the agent).
2.3	**Auditors and technical specialists**	
	Stakeholders supported the proposed amendments and additional disclosure requirements.	Noted.
2.4	**PSAF members**	
	Stakeholders supported the proposed amendments and additional disclosure requirements.	Noted.
2.5	**OAG and Reserve Bank**	

SPECIFIC MATTERS FOR COMMENT		
NO.	**COMMENT**	**BOARD'S RESPONSE**
	Stakeholders supported the proposed amendments and additional disclosure requirements.	Noted.
2.6	**Western Cape Accounting Working Committee**	
	Members supported the proposed amendments to the GRAP 109 disclosure requirements.	Noted.

OTHER MATTERS		
NO.	**COMMENT**	**BOARD'S RESPONSE**
3.1	**Public entities and other PFMA preparers**	
3.1.1	When entities apply different Reporting Frameworks (for example Standards of GRAP and the Modified Cash Standards (MCS)), it is challenging to match receivables and payables for the transactions that the agent undertakes on behalf of the principal.	This is a practical application issue that cannot be addressed in the Standard. Therefore, no further action is required. Challenges with different reporting frameworks will remain until all public sector entities are required to apply an accrual basis of accounting. However, the requirements for accounting by principals and agents in MCS and GRAP 109 are aligned.
3.1.2	Legislation requires that all the money collected by Departments be paid over to the National Revenue Fund (NRF). This could imply that all Departments are agents of the NRF when they undertake transactions with the public (i.e. third parties). It was proposed that a specific example be included in GRAP 109 to clarify the application of the Standard to the NRF.	GRAP 109 requires an entity to assess the rights and obligations of the parties to the arrangement for each transaction undertaken in the binding arrangement to conclude whether the arrangement meets the definition of a principal-agent arrangement. The Standard is unable to provide examples of all possible types of transactions in concluding whether an arrangement meets the definition of a principal-agent arrangement. No additional examples will be included in GRAP 109 as GRAP 109.09 already includes an example to illustrate the depositing of cash into a revenue fund. Appendix A in GRAP 109, Frequently Asked Question (FAQ) 4.11 and the OAG's presentation on Understanding Principal-agent Arrangements that applies to GRAP 109 and the MCS (as included on the Knowledge Hub) provide practical examples on how to apply GRAP 109. Therefore, no further action is required.
3.1.3	The ASB should consider providing more practical examples of common arrangements that meet the definition of a principal-agent arrangement.	The ASB is unable to develop specific examples for each possible scenario. Appendix A in GRAP 109, FAQ 4.11 on *When should GRAP 109 be applied?* and 4.21 on *What is a binding arrangement in the context of a principal-agent arrangement?* and the OAG's presentation on Understanding Principal-agent Arrangements that applies to GRAP 109 and the MCS (as included on the Knowledge Hub) provide practical examples on how to apply GRAP 109. Therefore, no further action is required.

OTHER MATTERS		
NO.	**COMMENT**	**BOARD'S RESPONSE**
3.1.4	GRAP 109 should include more explanatory guidance and examples to clarify the "third parties" on whose behalf the agent is undertaking transactions.	Even though GRAP 109 does not define the term explicitly, its use throughout the Standard makes it clear that a third party is any external party with whom the agent transacts on behalf and for the benefit of the principal, in fulfilling the rights and obligations in terms of the binding arrangement. In addition to the illustrative examples that explain who the "third party" is in an arrangement, paragraph .13A explains that "third parties" can be groups of affected parties and need not be specifically identified in the arrangement. Appendix A in GRAP 109, FAQ 4.11 and the OAG's presentation on Understanding Principal-agent Arrangements that applies to GRAP 109 and the MCS (as included on the Knowledge Hub) provide practical examples on how to apply GRAP 109. Therefore, no further action is required.
3.1.5	Some stakeholders requested clarity on the meaning of "retrospective application".	Applying amendments retrospectively means that on adoption of the amendments to GRAP 109, entities reassess their existing arrangements using the amended principles. Prior-period information is adjusted, where required, to reflect information as if the amended requirements had always been effective.
3.2	**Auditors and technical specialists**	
	Entities will find more practical examples useful in applying the definition of a principal-agent arrangement to conclude on the nature of the arrangement. Often, entities refer to illustrative examples first before considering the underlying principle in the Standard of GRAP.	Refer to the response to comment 3.1.3.
3.3	**PSAF members**	
3.3.1	Even though a binding arrangement may assign certain functions to an entity in acting on behalf and for the benefit of another entity, entities should consider whether any legislative requirements are in place that may preclude them from undertaking certain transactions. When entities enter into arrangements that are prohibited under legislation, it could result in non-compliance.	An entity should account for all its transactions in its financial statements by applying the Standards of GRAP, even though a transaction may result in non-compliance. No further action is required.

OTHER MATTERS		
NO.	**COMMENT**	**BOARD'S RESPONSE**
3.3.2	GRAP 109.10(a) explains that transactions with third parties occur when an agent transacts with such parties to procure or dispose of resources. In practice, an agent is sometimes required to undertake these types of transactions with third parties in its own name, for example, to procure and appoint a service provider by applying its own supply chain management processes. GRAP 109 should give clearer guidance to explain that when an agent transacts in its own name, it does so based on the rights and obligations agreed with the principal in the binding arrangement.	GRAP 109 already requires an entity to assess the rights and obligations of the parties to the arrangement for each transaction undertaken in the binding arrangement to conclude whether the arrangement meets the definition of a principal-agent arrangement. No further action is required. Also refer to the response to comment 3.1.4.
3.3.3	Entities may find additional and more detailed examples helpful in concluding on the nature of the arrangement.	Refer to the response to comment 3.1.3.
3.3.4	FAQ 4.11 example 3 concludes that the arrangement is not a principal-agent arrangement, as there are no third parties in the arrangement. The third parties, in this example, are merely beneficiaries of the entity's activities that involve the delivery of food parcels to a community affected by a disaster. This example should be reconsidered as it contradicts the principle in GRAP 109.13A. This paragraph explains that the Standard does not require the identification of specific individual third parties for the transactions that the agent undertakes on behalf of, and for the benefit of a principal. The paragraph also clarifies that third parties can be groups of affected parties.	The example illustrates that there are no identified third parties with whom the agent interacts on behalf of the principal in providing goods or services, as the transaction involves a service delivery arrangement. The arrangement does, therefore, not meet the definition of a principal-agent arrangement. The Secretariat will clarify FAQ 4.11 to explain why the arrangement is not a principal-agent arrangement.
3.4	**OAG and Reserve Bank**	
3.4.1	Direction is provided through legislation that requires various entities to collect revenue on behalf of the NRF. As 'active action" is not required from the principal for the definition of a principal-agent arrangement to be	Refer to the response to comment 3.1.2.

OTHER MATTERS		
NO.	**COMMENT**	**BOARD'S RESPONSE**
	met, it was questioned whether all revenue collected for the NRF will always be accounted for as a principal-agent arrangement.	
3.4.2	As entities often struggle to identify who the third parties in an arrangement are, it is proposed that GRAP 109 should define "third parties" or include more explanatory guidance.	Refer to the response to comment 3.1.4.
3.4.3	It was questioned whether a third party needs to know that an agent is undertaking transactions on behalf and for the benefit of a principal in the principal-agent arrangement.	GRAP 109 explains that the agent is undertaking transactions with third parties on behalf and for the benefit of the principal. GRAP 109 does not explicitly require the third parties to know that the agent is acting on behalf of and for the benefit of another entity. The Secretariat will clarify FAQ 4.11 to explain why the arrangement is not a principal-agent arrangement.
3.4.4	The inclusion of a decision tree or flow chart in GRAP 109 will be useful to assist entities in concluding whether a principal-agent arrangement exists, and if so, whether the entity is the principal or the agent in the arrangement.	Appendix A in GRAP 109, and FAQ 4.11 provide practical examples on how to apply GRAP 109. Therefore, no further action is required.
3.4.5	It will be useful if more practical examples can be developed to assist entities in concluding whether an arrangement meets the definition of a principal-agent arrangement.	Refer to the response to comment 3.1.3.
3.4.6	The clarified guidance included in GRAP 109 should also be included in the accounting requirements prescribed for Departments to ensure that entities apply the same criteria in concluding on the nature of an arrangement.	The requirements for accounting by principals and agents in MCS and GRAP 109 are aligned. The comment will be shared with the OAG for consideration.