ACCOUNTING STANDARDS BOARD
40 Church Square
Pretoria
0002
Tel. 011 697 0660
www.asb.co.za

TO: MEMBERS OF THE TECHNICAL COMMITTEE

FROM: AMANDA BOTHA

SUBJECT: AMENDMENTS TO GRAP 109 ON *ACCOUNTING BY PRINCIPALS AND AGENTS* (ED 215)

DATE: 18 MAY 2026

FILE REF: ATTACHMENT 3(a)

BACKGROUND AND OBJECTIVE

1. The Board exposed Exposure Draft (ED 215) on *Proposed Amendments to the Standard of GRAP on Accounting by Principals and Agents (GRAP 109)* in September 2025, with a closing date of 13 February 2026.

2. The comments received on ED 215 are captured in the analyses and responses to verbal and written comments, together with the Project Groups' proposed responses. The minutes of the project group meetings are included as attachments 3(b) and 3(c) for information purposes.

3. The purpose of this memorandum is for the Technical Committee to consider the following, for recommendation to the Board:

   (a) the consultation process followed;

   (b) the analyses and proposed responses to the verbal and written comments received on ED 215 (attachments 3(d) and 3(e)); and

   (c) the final amendments to the Standard of GRAP on *Accounting by Principals and Agents* (GRAP 109) (attachment 3(f)).

OVERVIEW OF THE CONSULTATION PROCESS

How did the Secretariat raise awareness of ED 215?

4. A Notice was published in the Government Gazette on 24 October 2025 (Notice 53574) for the comment period that closed on 13 February 2026.

5. The Secretariat actively raised awareness about ED 215 in the following ways:

   (a) published articles in the ASB Newsletter and on various ASB social media platforms;

(b) developing supporting material for the ASB's website; and

(c) informed stakeholders through various engagements and forums, such as the Public Sector Accounting Forum and Accounting Working Committee.

6. The Secretariat is of the view that sufficient awareness was raised.

Were all the key stakeholders consulted?

7. The Secretariat held 6 virtual roundtable discussions with preparers, auditors, consultants and other interested parties during the consultation period. Stakeholders submitted 12 written responses to ED 215.

8. The Secretariat is of the view that all the stakeholders identified in the project brief had sufficient opportunity to participate in the due process.

ACTIONS REQUESTED #1

The Technical Committee is requested to NOTE the consultation process followed.

KEY ISSUES FOR CONSIDERATION

9. No substantive amendments were proposed in ED 215, as the GRAP 109 post-implementation review indicated that challenges with the Standard relate to its application rather than the principles in the Standard. The proposed amendments in ED 215 clarified the existing requirements in identifying whether a principal-agent arrangement exists and better explained the approach to make this assessment.

10. Overall, stakeholders supported the amendments proposed in ED 215. The most significant issues raised by stakeholders are discussed below.

Modification guidance

11. GRAP 109 currently requires an entity to reassess whether it continues to act as an agent or principal when the terms of a binding arrangement are modified. ED 215 extended this requirement by requiring the entity to firstly reassess whether the arrangement continues to be a principal-agent arrangement when the binding arrangement is modified (see paragraphs .08J and .08K).

12. All the stakeholders supported this proposed amendment, but proposed that:

(a) the guidance be relocated to the section that discusses "identification of whether a principal-agent arrangement exists" rather than being included in the definition section. Project group members supported the relocation of the guidance to paragraphs .08J and .08K; and

(b) additional guidance be included in the explanatory text (paragraph .08K), in the form of examples, to demonstrate the application of this principle. In response, the modification guidance from paragraph B41 in IFRS 16 on *Leases* was considered. This guidance includes examples of significant events or changes in circumstances that may require a reassessment of the arrangement. Project group members agreed with the proposed examples and proposed wording changes to one example to better explain the principle.

Additional examples in GRAP 109 to explain the principles

13. Some stakeholders proposed that additional guidance be included in GRAP 109 to further clarify the proposed amendments and/or existing guidance in GRAP 109. Examples include guidance to explain:

    (a) how the various mechanisms that give rise to a binding arrangement should be considered in assessing the rights and obligations of the parties to the binding arrangement (paragraph .05A);

    (b) that the direction from the principal to the agent, as per the definition of "principal" and "agent", does not imply an active action, but that the direction can be established by the rights and obligations in the binding arrangement (paragraph .08C);

    (c) who the "third parties" in an arrangement are and how to identify them; and

    (d) how "judgement" and "substance over form" are applied (paragraphs .05D, .08E, .21, .26, .60A and .62A).

14. Project group members agreed with the Secretariat's recommendation not to include any additional guidance and/or illustrative examples in GRAP 109, as the following guidance is available to assist entities:

    (a) Appendix A of GRAP 109 contains various illustrative examples that explain the application of the principles of the Standard.

    (b) Frequently Asked Questions (FAQ):

        - 4.11 on *When should GRAP 109 be applied?*;
        - 4.20 on *When is an entity an agent in a principal-agent arrangement?*; and
        - 4.21 on *What is a binding arrangement in the context of a principal-agent arrangement?.*

    (c) YouTube recordings, for example, the recordings that explain:

        - the application of judgement as part of disclosing information on significant judgements and uncertainties;
        - accounting thresholds (such as significance); and
        - what applying "substance over form" means.

    (d) The Office of the Accountant-General's (OAG) presentation on Chapter 16 of the Modified Cash Standard (MCS) as included in the Knowledge Hub (the requirements in the MCS and GRAP 109 are aligned).

15. The request for additional guidance and illustrative examples will be shared with OAG after the Board approves the final amendments. This is the usual process followed for sharing relevant comments with the OAG after completion of the Board's due process.

16. The Secretariat will also consider the need for amendments to FAQ 4.11 once the amendments to GRAP 109 are finalised.

Additional practical examples and case studies outside GRAP 109

17. A number of stakeholders proposed that additional illustrative examples and/or case studies be developed outside GRAP 109 to explain the application of the Standard to specific types of transactions, for example, transactions that involve the National Revenue Fund.

18. The Board concluded at its September 2025 meeting that it will consider the need to develop guidance when the amendments to GRAP 109 are finalised. The Board also agreed that if such guidance needs to be developed, it should be considered with the OAG and the Auditor-General of South Africa (AGSA).

19. Project group members supported the view that any further implementation guidance should be considered by the OAG as the development of practical guidance is not within the Board's mandate. Furthermore, sufficient guidance and illustrative examples exist as noted in paragraph 14 above. The Secretariat can assist by reviewing and providing comments on such guidance.

ACTIONS REQUESTED #2

The Technical Committee is requested to:

(a) CONSIDER the recommendations from project group members on the key issues noted in paragraphs .11 to .19;

(b) CONSIDER the analysis of verbal and written comments and project group members' proposed responses thereto;

(c) CONSIDER the amendments proposed to GRAP 109 to address the comments received; and

(d) if deemed appropriate, RECOMMEND the summaries and proposed amendments to GRAP 109 to the Board for approval.

RE-EXPOSURE OF ED 215

20. Section 7 of the Board's Due Process Handbook requires an analysis of the amendments made to an exposure draft to assess if re-exposure is needed.

21. There are no significant amendments proposed to ED 215. As a result, it is not considered necessary to re-expose ED 215.

ACTIONS REQUESTED #3

The Technical Committee is requested to CONSIDER and, if deemed appropriate, RECOMMEND the conclusion on re-exposure of ED 215 to the Board.

PROPOSED EFFECTIVE DATE

22. A proposed effective date to the Minister of Finance (Minister) is usually set as one year from the beginning of the next reporting period, in accordance with the ASB's Due Process Handbook. As the amendments to GRAP 109 merely clarified the requirements in the Standard and better explain the approach for assessing whether a principal-agent arrangement exists, the Secretariat proposes that an effective date for periods commencing on or after 1 April 2028 be submitted to the Minister.

The Technical Committee is requested to CONSIDER whether an effective date of 1 April 2028 is supported.

NEXT STEPS

23. Subject to the Technical Committee’s recommendation, the proposed amendments to GRAP 109 will be presented to the Board in July 2026 for approval.