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MINUTES OF THE PROJECT GROUP MEETING OF THE ACCOUNTING STANDARDS BOARD ON PROPOSED AMENDMENTS TO THE STANDARD OF GRAP ON *ACCOUNTING BY PRINCIPALS AND AGENTS* HELD ON 13 AUGUST 2025

Present:

O Benxa	SAICA
N Matlala	SAICA
R Matjila	AGSA
M Mentz	AGSA
T Staffa	AGSA
B van der Merwe	Nexia SAB&T
S van der Merwe	Adapt IT
M van der Mescht	Altimax

Secretariat:

A Botha	Standard setter
E van der Westhuizen	Head of Technical

1. WELCOME AND APOLOGIES

Members were WELCOMED to the project group meeting. Apologies were NOTED from A van Blerk.

2. CONFIRMATION OF AGENDA

The agenda was CONFIRMED.

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

3.1 The Secretariat TABLED the following documents at the meeting:

- Memorandum from the Secretariat.
- Draft Exposure Draft (ED) of *Proposed Amendments to the Standard of GRAP on Accounting by Principals and Agents (GRAP 109)*.
- Draft Invitation to Comment on *Proposed Amendments to the Standard of GRAP on Accounting by Principals and Agents (GRAP 109)*.

Background and purpose of the discussion

3.2 The Secretariat NOTED the background to the development of the draft ED and ITC. It was NOTED that the purpose of the discussion was for the project group to consider the documents for recommendation to the Technical Committee.

Proposed changes to GRAP 109

3.3 The Secretariat NOTED that no substantive amendments are proposed to GRAP 109. The proposed amendments:

- clarify the existing requirements to identify whether an arrangement meets the definition of a principal-agent arrangement, and if so, if an entity is the agent or the principal; and
- better explain the approach to assess whether an arrangement is a principal-agent arrangement.

Guidance on binding arrangement

3.4 The Secretariat EXPLAINED the proposal to combine all the relevant guidance on binding arrangements in the definition section of the Standard. It was NOTED that the following additional explanations are proposed in this section:

- that a combination of mechanisms can establish rights and obligations for parties to an arrangement;
- a single arrangement may establish multiple rights and obligations for different activities;
- judgement should be applied to assess if a binding arrangement exists; and
- an entity should also re-assess if an arrangement continues to meet the definition of a principal-agent arrangement when the arrangement is modified.

3.5 Members SUPPORTED combining the guidance on binding arrangement in the definition section along with the additional guidance provided.

Secretariat

3.6 It was AGREED that:

- the example in paragraph .05B should be reworded to avoid implying that the overarching framework within which transactions occur is always set in legislation; and
- an explanation be included to clarify that, in some instances, multiple arrangements should be read together to understand the rights and obligations of the parties to the arrangement.

Secretariat

Meeting the definition of a principal-agent arrangement

3.7 The Secretariat EXPLAINED that the following additional guidance is proposed to assist entities with assessing whether the definition of a principal-agent arrangement is met:

- an entity should apply substance over form to conclude on the nature of the arrangement;
- not all the activities and related transactions may meet the principal-agent arrangement definition in a single binding arrangement with multiple rights and obligations;
- assessing if the definition of a principal-agent arrangement is met should be done for each transaction or transactions with similar characteristics that are undertaken with third parties;
- a principal has substantive rights and obligations while the agent has protective rights and obligations; and
- an entity should first assess whether an arrangement is a principal-agent arrangement before assessing if it is the principal or agent.

3.8 Members SUPPORTED the additional guidance but QUESTIONED the reason for emphasizing the requirement that an entity should first assess if the definition of a principal-agent arrangement is met before assessing if it is the principal or agent. It was NOTED that in practice, assessing if an arrangement is a principal-agent arrangement and whether the entity is the agent or principal, is often done simultaneously. The Secretariat EXPLAINED that the principle was included to prevent entities from immediately applying the criteria to determine if they are the agent or principal, before assessing if the arrangement is a principal-agent arrangement.

3.9 Members CONCLUDED that paragraph .08C should be reworded to soften the wording and align with practice so that an entity should not assess if it is the agent or the principal before concluding that the arrangement meets the definition of a principal-agent arrangement.

Secretariat

3.10 It was AGREED that paragraph .13B should explain why an agent’s rights and obligations are protective and administrative in nature.

Secretariat

3.11 It was PROPOSED that it be considered whether it is beneficial to include an illustrative example that explains how to determine if a subcontracting or service provider arrangement meets the definition of a principal-agent arrangement. It was also PROPOSED that the principal-agent examples from IFRS 15 on *Revenue from Contracts with Customers* be considered to explain this principle.

Secretariat

Disclosure requirements

3.12 The Secretariat EXPLAINED the proposal to include a disclosure objective. It was also NOTED that the following amendments are proposed:

- expand the significant judgement disclosure to require an entity to disclose significant judgements in assessing whether an arrangement is a principal-agent arrangement; and
- include a cross-reference to the disclosure in GRAP 2 on *Cash Flow Statements* to disclose the amount and nature of restricted cash balances.

3.13 Members SUPPORTED the additional guidance.

Secretariat

3.14 It was QUESTIONED whether entities are required to apply the disclosure requirements for each principal-agent arrangement or whether the disclosures can be aggregated for multiple principal-agent arrangements that are similar in nature. It was NOTED that "materiality" is an overarching concept that is applied when preparing, presenting and disclosing information in the financial statements. The inclusion of a disclosure objective is aligned with international practice and is aimed at replacing requirements in the Standards about how to group information for disclosure purposes.

3.15 It was AGREED that the reason for introducing the disclosure objective should be explained in the basis for conclusions.

Secretariat

3.16 It was QUESTIONED whether allowing preparers an option to decide if they want to present information in assessing an agent's accountability when they deem this useful for users will not result in audit disputes. The proposed amendment allows for more judgement. It was NOTED that paragraph .63B is not a new requirement, but a relocation of paragraph .66. It was also NOTED that the objective of the post-implementation review was to consider if the information required under GRAP 109 is useful in meeting users' information needs. Based on mixed views expressed during the PIR, the Board concluded that no amendments to the GRAP 109 disclosures are required and that preparers should continue to assess what disclosures are useful to their users.

Other comments on the proposed ED

3.17 It was NOTED that the direction to undertake certain transactions and activities sometimes comes from legislation and not directly from the principal. Members QUESTIONED the relevance of the phrase "that directs another entity" in the definition of a principal.

3.18 Members DEBATED whether the definitions of a "principal" and "agent" should be amended or deleted in addressing the concern that the principal may not always direct the agent to undertake transactions with third parties. It was NOTED that deleting the definitions of "principal and "agent" could have unintended consequences. It was AGREED that an explanation should rather be included to clarify that an active action is not required from the principal for it to meet the definition of a "principal", and similarly for the agent receiving such direction. A binding arrangement may grant the principal the right to direct the agent to undertake transactions with third parties.

3.19 It was NOTED that paragraph .09(a) may be confusing, as the "revenue fund" will never be able to direct a department. It was AGREED that the explanation in paragraph .09(a) be reconsidered to better align with the guidance in paragraph .38.

Secretariat

3.20 Members AGREED with the following additional amendments:

- Paragraph .09 should include guidance from the Frequently Asked Questions that explains that an agent represents the principal in undertaking transactions with third parties based on the direction given by the principal through the binding arrangement.
- The example in paragraph .08D should also indicate that the binding arrangement can refer to the terms "principal" and "agent".
- Paragraph .12A should be combined with paragraph .09.

Secretariat

Illustrative examples

3.21 Based on the actions agreed in the GRAP 109 Review Report, it was PROPOSED that an illustrative example be considered to explain that even though two entities may have of shared mandates, it does not automatically imply that the parties are involved in a principal-agent arrangement.

Secretariat

3.22 Subject to the matters agreed, members RECOMMENDED the draft ED to the Technical Committee for its consideration.

Secretariat

Proposed ITC

3.23 It was PROPOSED that a question be included in the ITC to request respondents' views on any additional illustrative examples that are included in the proposed ED.

Secretariat

3.24 Members RECOMMENDED the draft ITC to the Technical Committee for its consideration.

Secretariat

4. NEXT STEPS

The next steps were NOTED.

5. GENERAL

There were no further matters raised for discussion.

6. CLOSING REMARKS

Members were THANKED for their time to prepare for the meeting, and for their participation and input at the meeting.

Prepared by:	**A Botha**	**18 August 2025**
Reviewed by:	**E van der Westhuizen**	**18 August 2025**