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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:

S Abraham	SARS
I Jurams	Western Cape Provincial Treasury
P Lekay	City of Cape Town
M Mathabathe	Limpopo Provincial Treasury
S Philander	City of Cape Town
S Qumba	National Treasury

Secretariat:

A Botha	Standard setter
N Imam-Shah	Standard setter
S Nondlazi	Standard setter
E van der Westhuizen	Head of Technical

1. WELCOME AND APOLOGIES

Members were WELCOMED to the project group meeting.

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;
- an entity needs to apply judgement 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

Meeting the definition of a principal-agent arrangement

3.6 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.

3.7 Members SUPPORTED the additional guidance.

Secretariat

3.8 Members 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. By the time an entity concludes whether an arrangement is a principal-agent arrangement, it has a good idea whether it is the agent or the principal in the arrangement. 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. It was NOTED that the Secretariat will consider rewording the paragraph to consider practical application based on a discussion with auditors and technical experts from another engagement.

Disclosure requirements

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

3.10 Members SUPPORTED the additional guidance.

Secretariat

3.11 It was NOTED that including a disclosure objective may lead to additional subjectivity, as one entity can only present the disclosures required, while another may decide to include additional disclosures in meeting users' needs.

3.12 The Secretariat NOTED that the inclusion of a disclosure objective is aligned with international practice. In developing a Standard, the standard-setter will consider what disclosures need to be provided to meet users' information needs. In addition, preparers assess whether other information should be presented to meet the information needs of their users. The disclosure objective is in line with the requirements in GRAP 1 on *Presentation of Financial Statements*.

3.13 It was QUESTIONED, in considering the need for additional information in meeting the disclosure objective as required by paragraph .61A, whether other information can be included in the annual report rather than in the financial statements. It was NOTED that in avoiding cluttering of financial statements, entities may consider including information elsewhere in their annual report, if it is not required by a Standard of GRAP. Information to meet the requirements in the Standards of GRAP should be included in the financial statements, unless a Standard specifically allows cross-referencing.

3.14 Members RECOMMENDED the draft ED to the Technical Committee for its consideration.

Secretariat

Proposed ITC

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

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**	**17 August 2025**
Reviewed by:	**E van der Westhuizen**	**18 August 2025**