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**MINUTES OF THE PROJECT GROUP MEETING OF THE ACCOUNTING STANDARDS BOARD ON ED 205 PROPOSED STANDARD OF GRAP ON SOCIAL BENEFITS HELD ON 4 FEBRUARY 2025**

**Present:**

H Aderibigbe	UIF
L Briedenhann	UIF
R Fourie	PwC
M Mentz	AGSA
P Naidoo	KPMG
B van der Merwe	Nexia SAB&T
M van der Mescht	Altimax

**Secretariat:**

A Botha	Standard setter
N Imam-Shah	Standard setter
J Poggiolini	CEO
E van der Westhuizen	Head of Technical

Board Members: Mr A van der Burgh (Chair), Ms A Carstens, Mr A Hardien, Ms W de Jager,  
Mr D Dlamini, Mr S Gcwabe, Mr S Khan, Ms A Muller, Prof R Small  
Chief Executive Officer: Mrs J Poggiolini

## **1. WELCOME AND APOLOGIES**

Members were WELCOMED to the project group meeting. Apologies were NOTED from E Alant, A Carstens, C Fourie, S Nondlazi, A van der Burgh and T Zuccollo.

## **2. CONFIRMATION OF AGENDA**

The agenda was confirmed.

## **3. MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 13 June 2024 were APPROVED.

## **4. REVIEW OF PROPOSED FINAL STANDARD OF GRAP ON SOCIAL BENEFITS CONSIDERING RESPONSES TO ED 205 SOCIAL BENEFITS**

4.1 The Secretariat TABLED the following documents at the meeting:

- Memorandum from the Secretariat.
- Analyses of verbal and written comment received on ED 205, including the Secretariat's proposed responses to comment received.
- Proposed final Standard of GRAP on *Social Benefits* (marked-up from ED 205).

### ***Background and objective of the discussion***

4.2 The Secretariat NOTED the objective of the discussion was for the project group to consider proposed responses to the comment received and the final Standard of GRAP on *Social Benefits*, for recommendation to the Technical Committee. Proposed amendments to the Standard respond to the key issues raised by respondents to ED 205.

### ***Consultation process***

4.3 The Secretariat NOTED the consultation process followed.

### ***Key issues raised by respondents***

4.4 The Secretariat EXPLAINED the key issues raised and the Secretariat's proposed responses, including proposed amendments to the Standard. The following areas were discussed:

#### **Scope of transactions and cash vs. in-kind benefits**

4.5 The Secretariat's proposals to clarify the scope were SUPPORTED.

#### **Definitions – social benefits and social risks**

4.6 The Secretariat NOTED that subsequent to the June 2024 project group meetings, the Board considered proposed ways to resolve the issues raised with the complexity of the definitions. The Board agreed to retain the definitions as exposed, and support stakeholders with applying the requirements through other mechanisms such as a Reference Group and implementation guidance.

4.7 A member NOTED that the definitions would remain difficult to apply. A reason is that various published documents – for example, GRAP 19 on *Provisions, Contingent Liabilities and Contingent Assets* – contain definitions or descriptions of social benefits and there are various interpretations of what the concept "social benefits" means. For

this reason, a prescriptive and exhaustive list of characteristics of individuals and/or households that a social risk addresses may have helped.

- 4.8 The member NOTED that entities providing benefits in the scope of the Standard are likely to understand the definitions and get it right. The concern may lie primarily with entities applying the Standard to benefits that are not in the scope of the Standard. These instances would need to be managed.
- 4.9 It was further NOTED that when a Standard requires the application of judgement, it may lead to differences between preparers and auditors.
- 4.10 It was, however, ACKNOWLEDGED that other options to respond to the comment would have remained complex and difficult to apply in practice.
- 4.11 On balance, members SUPPORTED the Board's decisions and NOTED that the Reference Group would be useful. The Secretariat NOTED that the trilateral parties will remain close to the issues during the implementation period, which members also SUPPORTED.

#### Classification of benefits as social security insurance or social assistance benefits

- 4.12 Members SUPPORTED the Secretariat's proposals that no major amendments are needed, and to clarify characteristics of social assistance benefits and add guidance on the impact of the way in which a benefit is funded.

#### Recognition requirements and contingent liabilities

- 4.13 Members SUPPORTED the Secretariat's proposals, and that the Board used the *Conceptual Framework for General Purpose Financial Reports* to develop the requirements, and not GRAP 19 on *Provisions, Contingent Liabilities and Contingent Assets*.

#### "Boundaries" of social benefit liabilities

- 4.14 Members SUPPORTED the Secretariat's proposal that the guidance on the "boundary" of liabilities is part of measuring the liability and does not affect recognition. However, it was QUESTIONED whether the Standard would be making a rule, or whether there is a conceptual principle that should be explained. It was NOTED that the measurement requirements are to determine the best estimate of the social benefit payments, with reference to probability weighted amounts. It is unlikely that by applying the principles an entity would conclude that the payments after the next point of verifying substantive eligibility criteria is zero.
- 4.15 It was AGREED that the basis for conclusions should explain that the principle was supported by all respondents to ED 205 and therefore considered to be appropriate and retained. The amendment to include the guidance as part of measuring the liability responds to the comment received and better aligns the guidance with the recognition requirements.

**Secretariat**

#### Disclosure requirements: not requiring a sensitivity analysis

- 4.16 Members SUPPORTED the Secretariat's proposal that a sensitivity analysis is not required and should not be added as a disclosure requirement.

### **Page-by-page review**

4.17 The analyses of written and verbal comment on ED 205 were REVIEWED and SUPPORTED.

**Secretariat**

4.18 The final Standard of GRAP on *Social Benefits* was REVIEWED and SUPPORTED.

**Secretariat**

4.19 A member SHARED that the guidance in paragraph AG5. on when a benefit is cash vs. in-kind could be difficult to understand. When an entity pays cash, irrespective of how the cash is meant to be used, it is difficult to understand that it is not classified as a cash benefit. The Secretariat EXPLAINED that paragraphs AG5. and AG6. require the economic substance of a transaction to be assessed and not only the way in which the transaction is settled. It was NOTED that the difficulty could result from GRAP 23 on *Revenue from Non-exchange Transactions (Taxes and Transfers)* having a different meaning for in-kind transactions. The Secretariat NOTED that the purpose of the guidance in GRAP 23 is to ensure entities identify revenue transactions when there is no cash flow, and should be applied in the context of GRAP 23. The guidance in ED 205 should be applied to social benefits that meet the definition in this Standard.

## **5. RE-EXPOSURE OF THE STANDARD**

The Secretariat EXPLAINED the assessment of whether it is necessary to re-expose the Standard, and the reasons for the Secretariat's conclusion that re-exposure is unnecessary. Members SUPPORTED the Secretariat's conclusion.

**Secretariat**

## **6. NEXT STEPS**

The next steps were NOTED.

## **7. GENERAL**

There were no further matters for discussion raised.

## **8. CLOSING REMARKS**

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

**Prepared by: E van der Westhuizen 10 February 2025**