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Attachemnt 3(e)

MINUTES OF THE PROJECT GROUP MEETING OF THE ACCOUNTING STANDARDS BOARD ON ED 207 *POST-IMPLEMENTATION REVIEW OF THE STANDARD OF GRAP ON STATUTORY RECEIVABLES* HELD ON 5 JUNE 2025

Present:

O Benxa	SAICA
R Matjila	AGSA
M Mentz	AGSA
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

1. WELCOME AND APOLOGIES

Members were WELCOMED to the project group meeting. Apologies were NOTED from S Nondlazi.

2. CONFIRMATION OF AGENDA

The agenda was CONFIRMED.

3. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 9 October 2023 were NOTED.

4. KEY ISSUES FROM THE POST-IMPLEMENTATION REVIEW (PIR) OF GRAP 108 ON *STATUTORY RECEIVABLES*

4.1 The Secretariat TABLED the following documents at the meeting:

- Memorandum from the Secretariat.
- Summary of key issues and actions proposed by the Secretariat.
- Analyses of written and verbal comments received on ED 207.

Background and objective of the discussion

4.2 The Secretariat NOTED that the objective of the discussion was for the project group to consider the comments received during the PIR, the related themes identified, and the proposed actions to address these.

Consultation process

4.3 The Secretariat NOTED the consultation process followed.

Key issues identified and proposed actions

4.4 The Secretariat EXPLAINED the key issues and root causes (where applicable) that were raised and the Secretariat's proposed actions. The following areas were discussed:

<u>General observations</u>

4.5 Members SUPPORTED the Secretariat's proposals to raise awareness of guidance available to assist with the application of GRAP 108 and materiality.

Secretariat

4.6 A member NOTED that the application of materiality has been identified as a concern in several recent projects of the Board. It was QUESTIONED if the Board will consider undertaking some work on materiality as part of its 2027 to 2029 work programme, other than raising awareness of existing materiality guidance and YouTube recordings. The Secretariat NOTED that the Technical Committee and Board will consider feedback on its work programme consultation at their July meetings. Formal communication will be shared with stakeholders on projects that will be undertaken in the 2027 to 2029 period.

<u>Classification of receivables</u>

4.7 Members SHARED additional practical examples of challenges experienced with the classification of receivables as statutory or contractual. It was NOTED that, in addition to the lack of skill and capacity, the nature of the receivable makes it challenging for entities to conclude if the receivable is statutory or contractual. Licence fees were NOTED as an example.

4.8 It was QUESTIONED if additional examples can be added to existing Frequently Asked Questions (FAQs) to explain the classification of specific receivables and clarify common misconceptions. It was NOTED that the existing FAQ on *How do statutory receivables arise?* already includes examples to illustrate the classification of receivables. In addition, the OAG's GRAP Accounting Guideline on GRAP 108 on *Statutory Receivables* includes a list of common public sector receivables and additional guidance to assist entities with the classification of receivables.

4.9 It was NOTED that the Board will issue a Review Report that will summarise the comments received from the PIR and actions agreed to address any application or other challenges in applying GRAP 108. It was NOTED that the Review Report is also a communication tool to address some of the misconceptions noted from the review.

4.10 Members AGREED with the Secretariat's proposal that no amendment to GRAP 108 or the Fact Sheets is required.

Secretariat

<u>Impairment of statutory receivables</u>

4.11 Members SUPPORTED the Secretariat's proposals:

(a) on developing a general FAQ that explains the difference between impairment and derecognition of assets; and

(b) to consider additional indicators to assess impairment and;

(c) to include guidance on legal write-offs.

Secretariat

<u>Presentation of statutory receivables</u>

4.12 Members AGREED with the Secretariat's proposals:

(a) that no amendments to GRAP 108 or existing FAQs are required; and

(b) to raise awareness that information on the face of the financial statements should be considered and read with the information presented in the notes.

Secretariat

<u>Disclosure requirements</u>

4.13 Members SUPPORTED the Secretariat's proposals to:

(a) raise awareness of existing guidance on information to be presented in an accounting policy note; and

(b) undertake future communication initiatives to educate preparers on what to consider when preparing financial statements.

Secretariat

<u>Recognition of revenue and the related receivables arising from statutory arrangements</u>

4.14 Members AGREED with the Secretariat's proposals:

(a) that challenges noted will be addressed through the Board's revenue project;

(b) that no amendments are required to GRAP 108 as sufficient guidance on when to recognise revenue and the related receivable is available;

(c) to raise awareness about existing guidance through communication initiatives; and

(d) to share the challenges noted during the PIR with the OAG.

Secretariat

4.15 A member ASKED whether something should be done in the interim to address the revenue recognition challenges relating to grants. It was NOTED that various pieces of guidance are available on this topic, including recent YouTube recordings. Entities can also refer to the Knowledge Hub as an information source.

Introducing a new impairment model

4.16 Members NOTED:

(a) the three views raised by respondents on replacing the incurred loss model in GRAP 108 with the expected credit loss (ECL) model as in GRAP 104 on *Financial Instruments;* and

(b) how the incurred loss and ECL models support the qualitative characteristics in the *Conceptual Framework for General Purpose Financial Reporting*.

4.17 It was NOTED that any amendments to GRAP 108 can only be actioned after completion of the Board's 2027 to 2029 work programme.

4.18 Members DEBATED the Secretariat's proposal of allowing entities that undertake both contractual and statutory transactions with a single counterparty an accounting policy choice to (a) continue using the incurred loss model and ECL model to impair statutory and contractual receivables respectively; or (b) apply the ECL model to impair a debtor's account. Entities that only undertake statutory transactions will not have this accounting policy choice as they will continue to apply the incurred loss model as required by GRAP 108.

4.19 Members SUPPORTED the proposal of allowing entities that undertake both contractual and statutory transactions with a single counterparty, an accounting policy choice. Members PROPOSED an alternative for the Technical Committee's consideration, i.e., entities that undertake both contractual and statutory transactions with a single counterparty should apply the ECL model and entities that only undertake statutory transactions should be allowed an accounting policy choice between the incurred loss and ECL impairment model. It was also PROPOSED that entities that only undertake statutory transactions with a counterparty can continue to apply the incurred loss model until the Board decides to replace the incurred loss model with the ECL model.

4.20 It was AGREED that both alternatives should be presented to the Technical Committee for its consideration.

Secretariat

Disclosures on exposure to credit and liquidity risk

4.21 Members NOTED feedback received from respondents on introducing credit and liquidity risk disclosures in GRAP 108.

4.22 Members DEBATED the Secretariat's proposal to (a) raise awareness of the disclosure objective in GRAP 108 to provide liquidity risk disclosures for statutory receivables; and (b) only consider the proposed credit risk disclosure on statutory receivables when the Board agrees to adopt the ECL impairment model in GRAP 108.

4.23 Members AGREED with this proposal.

Secretariat

4.24 It was NOTED that even though the disclosures are encouraged for liquidity risk, entities may not present the information in the interim as the disclosures are not mandatory. It was NOTED that GRAP 1 on *Presentation of Financial Statements* allows entities to present additional information to users. This disclosure requirement can be emphasised to entities in the interim.

4.25 It was AGREED that for the interim, entities should also be encouraged to provide credit risk disclosures.

Secretariat

Summary of written and verbal comments received

4.26 The summaries of written and verbal comments on ED 207 were NOTED. Members AGREED with the actions proposed to the written and verbal comments received.

5. NEXT STEPS

The next steps were NOTED.

6. GENERAL

There were no further matters raised for discussion.

7. 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**	**12 June 2025**
Reviewed by:	**E van der Westhuizen**	**17 June 2025**