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TO: MEMBERS OF THE BOARD

FROM: AMANDA BOTHA

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

DATE: 17 JUNE 2026

FILE REF: ATTACHMENT 4(a)

BACKGROUND AND OBJECTIVE

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

2. No substantive amendments were proposed in ED 215, as the GRAP 109 post-implementation review indicated that the main challenges with GRAP 109 relate to the application of the Standard, not the principles. The amendments proposed in ED 215 clarified the existing requirements for identifying a principal-agent arrangement and explained the assessment approach more clearly.

3. Project group members and the Technical Committee considered the comments received on ED 215, along with the analysis and responses to the verbal and written comment. The Technical Committee recommended the final amendments to the Standard of GRAP on *Accounting by Principals and Agents* (GRAP 109) to the Board for approval.

4. The purpose of this memorandum is for the Board to consider the:

   (a) consultation process followed;

   (b) proposals from the Technical Committee to the key comment received on ED 215; and

   (c) final amendments to GRAP 109.

OVERVIEW OF THE CONSULTATION PROCESS

How did the Secretariat raise awareness of ED 215?

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

6. 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) developed 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.

7. The Secretariat is of the view that sufficient awareness of ED 215 was raised.

   Were all the key stakeholders consulted?

8. 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.

9. 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 Board is requested to NOTE the consultation process followed.

KEY ISSUES FOR CONSIDERATION

10. There was overall support from stakeholders for 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 expanded this by also proposing that an entity reassess whether the arrangement is still a principal-agent arrangement when the binding arrangement is modified (see paragraphs .08J and .08K).

12. This was supported by all the stakeholders, but it was proposed that:

    (a) the guidance be relocated to the section on "identification of whether a principal-agent arrangement exists" instead of being included in the definitions section. This guidance was relocated to paragraphs .08J and .08K; and

    (b) examples be included in the explanatory text in paragraph .08K to demonstrate the application of this principle. Based on a stakeholder recommendation, the Secretariat considered the modification guidance from paragraph B41 in IFRS 16 on *Leases*. This resulted in the inclusion of examples of significant events or changes in circumstances that may require a reassessment of the arrangement (see paragraph .08K).

    The Technical Committee supported these amendments.

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 the Standard. Suggestions included 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. The Technical Committee considered these proposals and noted that stakeholders often over-rely on examples rather than applying the principles in the Standard to a specific transaction or event. Members supported the conclusion to not develop additional illustrative examples in GRAP 109, as there is already other guidance that can be applied. This includes existing illustrative examples in GRAP 109, various Frequently Asked Questions (FAQs) and YouTube recordings, and a slide presentation developed by the Office of the Accountant-General’s (OAG) on Understanding Principal-agent arrangements. This slide presentation, that is included in the Knowledge Hub, applies to GRAP 109 and Chapter 16 of the Modified Cash Standard.

15. The Technical Committee also supported a proposal that the Secretariat will consider the need for amendments to FAQ 4.11 once the amendments to GRAP 109 are finalised. The OAG will consider developing further guidance and/or updating the principal-agent slide presentation when the amendments to GRAP 109 are finalised.

Additional practical examples and case studies

16. Some stakeholders proposed that additional illustrative examples and/or case studies be developed to explain how the Standard applies to specific types of transactions, such as those involving the National Revenue Fund.

17. 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 the need to develop such guidance should be considered with the OAG and the Auditor-General of South Africa (AGSA).

18. In debating the development of practical examples and case studies, the Technical Committee recommended that:

(a) the trilateral parties should consider the urgency and who is best suited to develop guidance on the application of GRAP 109 to transactions that involve the Revenue Fund. Members noted that even though the Revenue Fund transactions impact a several entities, the Revenue Funds operate differently in the various provinces, and there are various pieces of legislation that should be considered to develop guidance in this area. If such guidance is to be developed by the ASB, the Board will need to consider how the project can be accommodated on the ASB’s work programme; and

(b) the Secretariat will propose guiding principles as part of the review of the ASB’s Due Process Handbook on when a principle should be clarified through an example in a

Standard, developing a FAQ, or to refer the matter to the OAG for implementation guidance.

ACTIONS REQUESTED #2

The Board is requested to:

(a) CONSIDER the Technical Committee's recommendations on the key issues noted in paragraphs 11 to 18 of the memorandum;

(b) REVIEW the final amendments to the Standard of GRAP on *Accounting by Principals and Agents* [attachment 4(b)]; and

(c) if deemed appropriate, APPROVE it.

RE-EXPOSURE OF ED 215

19. Section 7 of the ASB's Due Process Handbook requires an analysis of the amendments made to an exposure draft to assess if re-exposure is needed. As there are no significant amendments proposed to ED 215, the Technical Committee concluded that a re-exposure of ED 215 is not needed.

ACTIONS REQUESTED #3

The Board is requested to CONFIRM the conclusion on re-exposure of ED 215.

PROPOSED EFFECTIVE DATE

20. 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.

21. As the amendments to GRAP 109 merely clarified the requirements in the Standard and better explained the approach for assessing whether a principal-agent arrangement exists, the Technical Committee supported that a proposed effective date for periods commencing on or after 1 April 2028 be submitted to the Minister.

The Board is requested to CONFIRM the conclusion on the effective date of 1 April 2028.

NEXT STEPS

22. Subject to the Board's approval, the proposed effective date for the amendments to GRAP 109 will be submitted to the Minister.