



Attachment 4(c)

Responses due by MM2026

ACCOUNTING STANDARDS BOARD

INVITATION TO COMMENT ON PROPOSED AMENDMENTS TO THE STANDARD OF GENERALLY RECOGNISED ACCOUNTING PRACTICE ON

ACCOUNTING BY PRINCIPALS AND AGENTS (GRAP 109)

(ED 215)

**Issued by the
Accounting Standards Board**

MM 2025



ED 215

Commenting on this Exposure Draft

The Accounting Standards Board (the Board) seeks comment on the Exposure Draft of proposed *Amendments to the Standard of GRAP on Accounting by Principals and Agents (GRAP 109)* (ED 215). Based on comments received during the post-implementation review of GRAP 109, the Board proposes amendments to the Standard.

The proposals in this Exposure Draft may be modified in the final documents in the light of comment received, before being issued. Comment should be submitted in writing so as to be received by **MM 2026**. E-mail responses are preferred. Unless respondents to this Exposure Draft specifically request confidentiality, their comment is a matter of public record once the Standard has been updated.

Comment should be addressed to:

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Background to the development of this Exposure Draft

1. The Board completed its post-implementation review of the Standard of GRAP on *Accounting by Principals and Agents* (GRAP 109) (hereafter referred to as “the review”) in 2023. The analysis of written and verbal comments received from stakeholders, along with the Board’s responses thereto, can be accessed at [Summary of comments received](#). The key issues noted from the review and the actions agreed by the Board are summarised in a Review Report, which can be accessed [here](#).
2. Key findings from the review were that stakeholders do not correctly identify if a principal-agent arrangement exists, and that they have challenges with the application of GRAP 109. In response, this ED proposes amendments to GRAP 109. To address these key findings, no substantive amendments are proposed, as GRAP 109 already provides guidance. The amendments clarify the existing requirements to identify whether a principal-agent arrangement exists, and better explain the approach to make this assessment.

Guidance on binding arrangements

3. GRAP 109 requires an entity to assess if a principal-agent arrangement exists based on the terms of a binding arrangement. To address the challenges of determining whether a binding arrangement exists, the Board proposes combining the relevant guidance in the definition section of the Standard. To address other practical challenges raised during the review, the following additional guidance is proposed:
 - a combination of mechanisms, such as legislation or similar means and a contract(s), can establish rights and obligations for the parties. These mechanisms should be read together;
 - judgement is applied to determine whether a binding arrangement exists; and
 - an entity should re-assess whether an arrangement continues to be a principal-agent arrangement in the event of a modification to the binding arrangement.

Assessing if the definition of a principal-agent arrangement is met

4. Amendments are proposed to GRAP 109 to assist entities in assessing whether the definition of a principal-agent arrangement is met. These proposed amendments include clarifying that:
 - even though the definitions of a principal and an agent require the principal to direct the agent in undertaking transactions with third parties, the direction does not imply an active action is required from the principal or similarly, the agent receiving such direction. The direction can be established by the rights and obligations in the binding arrangement;

- a single binding arrangement may establish multiple rights and obligations for different activities and related transactions, but not all the activities and related transactions may meet the definition of a principal-agent arrangement;
 - each transaction, or group of transactions that share similar characteristics, is assessed to determine whether the definition of a principal-agent arrangement is met;
 - in relation to the transactions undertaken with third parties, the rights and obligations of a principal are substantive, while the rights and obligations of an agent are protective or administrative; and
 - assessing whether an arrangement is a principal-agent arrangement is undertaken before accounting for the arrangement in terms of the Standard.
5. Clarification is proposed on the application of substance over form in assessing the nature of the arrangement. This guidance is included in the section on identifying whether the arrangement is a principal-agent arrangement, separate from the application of substance over form to establish whether the entity is the principal or the agent.

Disclosure requirements

6. The proposed amendments to the disclosure requirements enable entities to consider the disclosures that address users' information needs. The proposed amendments include:
- adding a disclosure objective to enable preparers to consider whether the disclosures address users' information needs;
 - expanding the requirement to disclose significant judgements in assessing whether an arrangement is a principal-agent arrangement; and
 - including a cross-reference to the encouraged disclosure in GRAP 2 on *Cash Flow Statements* to disclose the amount and nature of restricted cash balances.

Due process and timetable

The Board invites comment on the proposals set out in this Exposure Draft from preparers, users, auditors, standard-setters and other parties with an interest in public sector financial reporting.

Upon the closure of the comment period, the Board will consider the comments received on the Exposure Draft.

Request for comment

Comment on this Exposure Draft is invited by **MM 2026**. The Board requests that respondents express an overall opinion on whether the Exposure Draft, in general, is supported and to supplement this opinion with detailed comments, whether supportive or critical. Respondents are also invited to provide detailed comments identifying the specific paragraphs to which it relates, explaining the issue, and suggesting alternative wording, with supporting reasoning, where appropriate. The basis for the Board accepting or rejecting significant comments will be

published on the ASB website.

Specific matters for comment

Specific matter for comment 1

In clarifying the existing requirements of GRAP 109 and the order of assessing whether an arrangement is a principal-agent arrangement, the following amendments are proposed:

- (a) combine the guidance on binding arrangements in the definition section of the Standard (see paragraphs .05A to .05F);
- (b) add guidance to clarify that a binding arrangement can consist of various mechanisms that should be read together, and that judgement is applied to assess if there is a binding arrangement (see paragraphs .05B and .05D);
- (c) clarify that assessing whether an arrangement is a principal-agent arrangement should be undertaken before accounting for the arrangement using GRAP 109. (see paragraphs .08D and .16);
- (d) add guidance to explain that a single binding arrangement may establish multiple rights and obligations for different activities, but not all the activities and related transactions may meet the definition of principal-agent arrangement (see paragraphs .05B and .08I);
- (e) clarify that, even though the definitions of a principal and an agent require the principal to direct the agent in undertaking transactions with third parties, the direction does not imply that an active action is required. The direction can be established by the rights and obligations in the binding arrangement (paragraph .08C);
- (f) add guidance that explains that the roles and responsibilities of the parties should be assessed for each transaction undertaken with third parties or a group of transactions that share similar characteristics (see paragraph .08F);
- (g) require an entity to re-assess whether the arrangement continues to be a principal-agent arrangement if there is a modification to the binding arrangement (see paragraphs .05E and .05F);
- (h) clarify the nature of the rights and obligations of the parties to a principal-agent arrangement (see paragraph .13B); and
- (i) clarify the application of substance over form to conclude whether the arrangement meets the definition of a principal-agent arrangement, (see paragraph .08E).

Do you agree that the proposed amendments will assist with the application of GRAP 109? Please explain your response.

Specific matter for comment 2

To address users' information needs, the ED proposes the following amendments to the disclosure requirements of GRAP 109:



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- (a) include a disclosure objective that replaces the guidance in GRAP 109 on materiality and aggregation of information for disclosure purposes to enable preparers to consider whether the disclosures meet their users' information needs (see paragraph .60A);
- (b) expand the existing disclosure requirement to disclose significant judgements in assessing whether an arrangement is a principal-agent arrangement (see paragraph .62A(a)); and
- (c) include a cross-reference to the encouraged disclosure in GRAP 2 on *Cash Flow Statements* to disclose the amount and nature of restricted cash balances (see paragraph .63A).

Do you agree that the proposed amendments will assist preparers with meeting users' information needs? Please explain your response.

General matters for comment

Comment on any other matter contained in this Exposure Draft would be welcomed. Comment is most helpful if reference is made to a specific paragraph or group of paragraphs.