Responses due by xx xx xxxx

ACCOUNTING STANDARDS BOARD

EXPOSURE DRAFT OF THE PROPOSED STANDARD OF GENERALLY RECOGNISED ACCOUNTING PRACTICE – LIMITED SCOPE AMENDMENTS

SOCIAL BENEFITS

(ED 214)

Issued by the
Accounting Standards Board

August 2025

ED 214

Commenting on this Exposure Draft

The Accounting Standards Board (the Board) seeks comment on the Exposure Draft of the *Proposed Standard of GRAP on Social Benefits – Limited Scope Amendments* (ED 214) to enable the Board to improve and amend the *Proposed Standard of GRAP on Social Benefits* (ED 205), as outlined in this document.

The proposals in this Exposure Draft may be modified in the final documents in the light of comment received, before being issued as the Standard of GRAP on *Social Benefits*.

Comment should be submitted in writing so as to be received by xx xx xxxx. 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 of GRAP on *Social Benefits* is issued.

Comment should be addressed to:

The Chief Executive Officer

Accounting Standards Board

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Introduction

All paragraphs in this pronouncement have equal authority. The status and authority of appendices are dealt with in the preamble to each appendix. This pronouncement should be read in the context of its objective, its basis for conclusions and/or the basis for conclusions of its international equivalent, if applicable, the *Preface to the Standards of GRAP* and the *Framework for the Preparation and Presentation of Financial Statements*[1].

Standards of GRAP and Interpretations of the Standards of GRAP should also be read in conjunction with any directives issued by the Board prescribing transitional provisions, as well as any regulations issued by the Minister of Finance regarding the effective dates of the Standards, published in the Government Gazette.

Directives should be read in conjunction with the applicable Standards of GRAP and Interpretations of the Standards of GRAP.

[1] In June 2017, the Board replaced the *Framework for the Preparation and Presentation of Financial Statements* with the *Conceptual Framework for General Purpose Financial Reporting*.

Contents

Proposed Standard of Generally Recognised Accounting Practice

Social Benefits – Limited Scope Amendments

ED 214

Background and purpose of this Exposure Draft

The Board issued the proposed Standard of GRAP on *Social Benefits* (ED 205) for comment. Based on the Board's analysis of the comment received, the proposed principles were by and large approved for the final Standard of GRAP on *Social Benefits*. Amendments after ED 205 to finalise the Standard clarify the principles and provide further guidance. Stakeholder comment on ED 205, together with the Board's responses thereto can be accessed on the ASB's website here.

In one area, the Board's analysis of the comment received resulted in a significant change to the proposals of ED 205. The Board published this Exposure Draft to consult stakeholders on the change, as discussed below. The full text of the proposed Standard of GRAP on *Social Benefits* is available as background information.

Impact of the verification of substantive ongoing eligibility criteria on social benefit liabilities

Recognition versus measurement

ED 205 proposed that entities consider the verification of substantive ongoing eligibility criteria as part of recognising a liability, referred to as "boundaries of social benefit liabilities" in ED 205. Respondents noted that recognising a new liability for an existing beneficiary meeting substantive eligibility criteria at a future date could be contrary to the initial recognition requirements, which require the recognition of a liability before an application is verified to meet all eligibility criteria.

The Board agreed with these comments and noted that, in accordance with ED 205, a new liability is recognised when there is a new past event and the past event for all social benefits is the occurrence of the event related to the social risk. Existing beneficiaries meeting substantive eligibility criteria at a future date should therefore not give rise to the recognition of a new liability. Also, the Board agreed that an estimate of beneficiaries meeting ongoing eligibility criteria (including "being alive") is part of measuring a social benefit liability, and not recognition.

For these reasons, in response to the comments received on ED 205, this Exposure Draft includes that an entity's future verification of substantive ongoing eligibility criteria is considered in measuring a liability. This change is published with the proposed change discussed below for completeness purposes.

Application of the impact of the verification of substantive ongoing eligibility criteria to social security insurance benefit liabilities

In considering the impact of the verification of substantive ongoing eligibility criteria, the Board identified a concern with the proposal in ED 205 that this impacts the measurement of social security insurance benefit liabilities. The primary reason for the concern is the difference in characteristics of the two types of social benefits:

- Social security insurance benefits are funded by contributions and there is information about the particular individuals who contribute and may become beneficiaries. Considering the impact of the verification of substantive ongoing eligibility criteria in measuring social security insurance benefit liabilities may be inappropriate.
- Social assistance benefits are funded by government on an ongoing basis and less information is available about beneficiaries. Considering the impact of the verification of substantive ongoing eligibility criteria in measuring social assistance benefit liabilities may be appropriate.

This Exposure Draft seeks comment on the proposal to amend the requirements of ED 205 so that the verification of substantive ongoing eligibility criteria is considered in measuring social assistance benefit liabilities and is not considered in measuring social security insurance benefit liabilities.

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 comment received on the Exposure Draft.

Request for comment

Comment on this Exposure Draft is invited by **xx xx xxxx**. 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 comment, whether supportive or critical. Respondents are also invited to provide detailed comment 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 comment will be published on the ASB website.

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.

ED 214

PROPOSED STANDARD OF GRAP ON *SOCIAL BENEFITS* – LIMITED SCOPE AMENDMENTS

ED 214

Amendments to the proposed Standard of GRAP on *Social Benefits*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs are amended:

…

Recognition of a liability for a social benefit *(see Appendix A paragraphs AG24. to AG32~~9~~.)*

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.15 An entity shall recognise a liability for a social benefit when:

(a) the entity has a present obligation for an outflow of resources that results from a past event; and

(b) the present obligation can be measured reliably.

.16 A liability for a social security insurance benefit is recognised when the event related to the social risk for which the social benefit is provided occurs.

(See Appendix A paragraphs AG28. to AG29.)

.17 A liability for a social assistance benefit is recognised when an entity providing the social benefit receives an application from a potential beneficiary.

(See Appendix A paragraphs AG30. to AG32.)

.18 There may be uncertainty associated with the measurement of the liability. The use of estimates is an essential part of the accrual basis of accounting. Uncertainty regarding the outflow of resources does not prevent the recognition of a liability unless the level of uncertainty is so large that the qualitative characteristics cannot be met. Where the level of uncertainty does not prevent the recognition of a liability, it is taken into account when measuring the liability.

~~Boundaries of social benefit liabilities~~ ~~*(see Appendix A paragraphs AG33. to AG39.)*~~

~~.21 When a social benefit is provided on a recurring basis, existing beneficiaries may be required by a benefit's rules to satisfy eligibility criteria at specified times to qualify to continue receiving a social benefit. The satisfaction by each beneficiary of the eligibility criteria required to continue receiving a social benefit gives rise to a new liability when the eligibility criteria are substantive.~~

Measurement of a liability for a social benefit

Initial measurement of the liability *(see Appendix A paragraphs AG33~~40~~. to AG51.)*

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.19~~22~~ ***An entity shall measure the liability for a social benefit at the best estimate of the costs (i.e. the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.***

~~Boundaries of social benefit liabilities *(see Appendix A paragraphs AG33. to AG39.)*~~*Social assistance benefits (see Appendix A paragraphs AG36. to AG41.)*

.20~~1~~ When a social assistance benefit is provided on a recurring basis, existing beneficiaries may be required by a benefit's rules to satisfy eligibility criteria at specified times to qualify to continue receiving a social assistance benefit. The satisfaction by each beneficiary of the eligibility criteria required to continue receiving a social assistance benefit ~~gives rise to a new~~affects the measurement of the liability when the eligibility criteria are substantive.

…

Appendix A – Application guidance

This appendix is an integral part of this Standard.

…

Recognition of a liability for a social benefit *(see paragraphs .15 to .~~2~~18)*

…

~~**Boundaries of social benefit liabilities *(see paragraph .21)***~~

~~AG33. Paragraphs .16 and .17 describe the starting point of the recognition of social benefit liabilities. Paragraphs .21 and AG34. to AG39. describe the boundary of social benefit liabilities where social benefits consist of multiple payments to beneficiaries.~~

~~AG34. Where a social benefit consists of multiple payments to a beneficiary, certain eligibility criteria may continue to apply during the period the individual and/or household receives the benefit (ongoing eligibility criteria). For example, for an old age benefit, eligibility criteria at inception may be that (a) the individual is over the age of 60, (b) the individual's income is less than a certain threshold, and (c) the individual is a South African resident. Ongoing eligibility criteria for the old age benefit may be that (a) the beneficiary's income remains less than a certain threshold, (b) the beneficiary remains a South African resident, and (c) the beneficiary is alive.~~

~~AG35. Where ongoing eligibility criteria apply, a benefit's rules may require that existing beneficiaries satisfy these eligibility criteria at specified intervals to continue receiving a social benefit. In accordance with paragraph .21, the satisfaction by each beneficiary of the eligibility criteria required to continue receiving a social benefit gives rise to a new liability when the eligibility criteria are substantive. The satisfaction of substantive ongoing eligibility criteria represents the boundary of an entity's present obligation to provide social benefits to existing beneficiaries. An existing beneficiary meeting substantive eligibility criteria in future gives rise to a new liability in future.~~

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~~AG36. The eligibility criteria are substantive when, in accordance with a benefit's rules, existing beneficiaries do not qualify to continue receiving social benefits until they have satisfied the required eligibility criteria, and the entity has a past history of enforcing the eligibility criteria. An entity enforces eligibility criteria by verifying that existing beneficiaries meet the required ongoing eligibility criteria to receive social benefits, and no social benefits are paid to beneficiaries who do not meet the criteria. Indicators that an entity enforces eligibility criteria may include:~~

~~(a) The entity communicates the verification process to beneficiaries and may ask beneficiaries to submit documentation.~~

~~(b)~~(a) ~~The entity communicates the outcome of the process to beneficiaries.~~

~~(c)~~(a) ~~The entity has dedicated resources to the verification process, such as staff resources and integrated IT systems.~~

~~(d)~~(a) ~~The entity has an established verification process with internal controls, such as external data confirmations and supervisory reviews.~~

~~AG37. Apart from estimating the liability as a result of beneficiaries meeting eligibility criteria from one interval to another, an entity estimates whether there are beneficiaries that would no longer qualify to receive benefits before the satisfaction of the eligibility criteria at the required interval as explained in paragraph AG35. In those instances, the entity recognises a liability for the period from the reporting date until the point when it is expected that the beneficiary would no longer satisfy the eligibility criteria.~~

~~AG38. For example, an old age benefit's rules require that existing beneficiaries should satisfy eligibility criteria on an annual basis with the entity's reporting date, before the beneficiaries qualify to remain eligible for the benefits. The ongoing eligibility criteria include that the household income must be below a certain threshold, and the beneficiary must be alive. Beneficiaries are required to submit proof of household income a month in advance of the new reporting period. The entity verifies the information submitted with the South African Revenue Service, and obtains mortality information from the Department of Home Affairs. The entity communicates the outcome of the review process to beneficiaries before the start of the new reporting period, which includes indicating to beneficiaries who do not meet the eligibility criteria that they are no longer eligible for the benefit. No further social benefits are paid to beneficiaries who no longer meet the eligibility criteria. The entity concludes that the eligibility criteria are substantive. The entity therefore recognises a liability at the reporting date for the extent of old age benefits that will be provided in the next year. No liability is recognised beyond the next reporting date, which is the date that beneficiaries are required to meet substantive ongoing eligibility criteria. The entity further estimates which beneficiaries would no longer qualify for benefits before the end of the next year due to death or other circumstances, and recognises a shorter-term liability for those beneficiaries.~~

~~AG39. The example in paragraph AG38. would lead an entity to conclude that the eligibility criteria are not substantive if, for example:~~

~~(a) the benefit's rules do not prevent beneficiaries from continuing to receive social benefit payments until they have satisfied the required eligibility criteria; or~~

~~(b)~~(a) ~~the entity does not have a past history of enforcing the eligibility criteria and continued to pay social benefits to beneficiaries who no longer met the eligibility criteria.~~

Measurement of a liability for a social benefit (see paragraphs .~~2~~19 and .20~~2~~)

AG3340. In accordance with paragraph .1922, an entity measures the liability for a social benefit at the best estimate of the costs (i.e. the social benefit payments) that the entity expects to incur in fulfilling the present obligation represented by the liability.

AG341. The best estimate of the costs that an entity will incur in fulfilling the present obligation is the amount that the entity would rationally pay to settle the obligation at the reporting date. It will often be impossible or prohibitively expensive to settle an obligation at the reporting date. However, the estimate of the amount that an entity would rationally pay to settle the obligation gives the best estimate of the expenditure required to settle the present obligation at the reporting date.

AG3542. The social benefit liability is determined by the judgement of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Prior to the financial statements being authorised for issue, an entity may receive information regarding its estimate of the social benefit liability. The Standard of GRAP on *Events After the Reporting Date* provides guidance on using this information.

Multiple payments to a beneficiary

AG36. Where a social benefit consists of multiple payments to a beneficiary, the best estimate of the costs (i.e. the social benefit payments) that the entity expects to incur in fulfilling the present obligation represented by the liability considers the duration that a beneficiary will qualify to receive social benefit payments and the timing of those payments.

~~Boundaries of social benefit liabilities *(see paragraph .21)*~~Social assistance benefits (see paragraph .20)

~~AG33. Paragraphs .16 and .17 describe the starting point of the recognition of social benefit liabilities. Paragraphs .21 and AG34. to AG39. describe the boundary of social benefit liabilities where social benefits consist of multiple payments to beneficiaries.~~

AG374. Where a social assistance benefit consists of multiple payments to a beneficiary, certain eligibility criteria may continue to apply during the period the individual and/or household receives the benefit (ongoing eligibility criteria). For

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example, for an old age benefit, eligibility criteria at inception may be that (a) the individual is over the age of 60, (b) the individual's income is less than a certain threshold, and (c) the individual is a South African resident. Ongoing eligibility criteria for the old age benefit may be that (a) the beneficiary's income remains less than a certain threshold, (b) the beneficiary remains a South African resident, and (c) the beneficiary is alive.

AG38~~5~~. To determine the best estimate of the costs (social benefit payments) that an entity will incur in fulfilling the present obligation (i.e. the amount that the entity would rationally pay to settle the obligation at the reporting date), an entity estimates – among other factors (also see paragraph AG46.) - the period that a beneficiary will meet the eligibility criteria to determine the duration and amount of social assistance benefit payments to each beneficiary, and measures the liability accordingly. ~~Where ongoing eligibility criteria apply, a~~This estimate of the duration and amount of social assistance benefit payments includes considering whether a social assistance benefit's rules ~~may~~ require that existing beneficiaries satisfy ~~these~~ongoing eligibility criteria at specified intervals to continue receiving a social assistance benefit. In accordance with paragraph .20~~1~~, the satisfaction by each beneficiary of the eligibility criteria required to continue receiving a social assistance benefit ~~gives rise to a new~~ affects the measurement of the liability when the eligibility criteria are substantive. The measurement of any potential payments beyond the next point of verification is zero when the eligibility criteria are substantive.~~ The satisfaction of substantive ongoing eligibility criteria represents the boundary of an entity's present obligation to provide social benefits to existing beneficiaries. An existing beneficiary meeting substantive eligibility criteria in future gives rise to a new liability in future.~~

AG39~~6~~. The eligibility criteria are substantive when, in accordance with a social assistance benefit's rules, existing beneficiaries do not qualify to continue receiving social assistance benefits until they have satisfied the required eligibility criteria, and the entity has a past history of enforcing the eligibility criteria. An entity enforces eligibility criteria by verifying that existing beneficiaries meet the required ongoing eligibility criteria to receive social assistance benefits, and no social assistance benefits are paid to beneficiaries who do not meet the criteria. Indicators that an entity enforces eligibility criteria may include:

(a) The entity communicates the verification process to beneficiaries and may ask beneficiaries to submit documentation.

(b) The entity communicates the outcome of the process to beneficiaries.

(c) The entity has dedicated resources to the verification process, such as staff resources and integrated IT systems.

(d) The entity has an established verification process with internal controls, such as external data confirmations and supervisory reviews.

~~AG37. Apart from estimating the liability as a result of beneficiaries meeting eligibility criteria from one interval to another, an entity estimates whether there are beneficiaries that would no longer qualify to receive benefits before the satisfaction of the eligibility criteria at the required interval as explained in paragraph AG35. In those instances, the entity recognises a liability for the period from the reporting date until the point when it is expected that the beneficiary would no longer satisfy the eligibility criteria.~~

AG40~~38~~. For example, an old age benefit's rules require that existing beneficiaries ~~should~~ satisfy eligibility criteria on an annual basis coinciding with the entity's reporting date, before the beneficiaries qualify to ~~remain eligible for~~ continue receiving the benefits. The ongoing eligibility criteria include that the household income must be below a certain threshold~~,~~ and the beneficiary must be alive. Beneficiaries are required to submit proof of household income a month in advance of the new reporting period. The entity verifies the information submitted with the South African Revenue Service, and obtains mortality information from the Department of Home Affairs. The entity communicates the outcome of the review process to beneficiaries before the start of the new reporting period, which includes indicating to beneficiaries who do not meet the eligibility criteria that they are no longer eligible for the benefit. No further social assistance benefits are paid to beneficiaries who no longer meet the eligibility criteria. The entity concludes that the eligibility criteria are substantive. The entity measures the liability by estimating the duration and amount of social assistance benefit payments to beneficiaries that are alive with a household income below the threshold determined by the benefit's rules. Any potential payments beyond the next point of verification (the entity's next reporting date) is measured at zero. ~~therefore recognises a liability at the reporting date for the extent of old age benefits that will be provided in the next year. No liability is recognised beyond the next reporting date, which is the date that beneficiaries are required to meet substantive ongoing eligibility criteria. The entity further estimates which beneficiaries would no longer qualify for benefits before the end of the next year due to death or other circumstances, and recognises a shorter-term liability for those beneficiaries.~~

AG41~~39~~. The example in paragraph AG40~~38~~. would lead an entity to conclude that the eligibility criteria are not substantive if, for example:

(a) the benefit's rules do not prevent beneficiaries from continuing to receive social assistance benefit payments until they have satisfied the required eligibility criteria; or

(b) the entity does not have a past history of enforcing the eligibility criteria and continued to pay social assistance benefits to beneficiaries who no longer met the eligibility criteria.

Social security insurance benefits

AG42. Paragraph AG46. provides guidance on the estimates that may be required in measuring a social security insurance benefit liability, including the duration and timing of multiple payments to a beneficiary. The verification of substantive ongoing eligibility

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Risks and uncertainties

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…

AG46. The estimates required to measure a social benefit liability may include, among others:

- …
- The duration that a beneficiary will qualify to receive social benefit payments and the timing of those payments. ~~Other f~~Factors to consider depend on the ongoing eligibility criteria applicable to a benefit and may include, for example, statistics on mortality, ~~and~~ immigration and income. In making this estimate for social assistance benefit liabilities, the entity considers, among other factors, the benefit's rules on existing beneficiaries satisfying ongoing eligibility criteria at certain intervals and whether those criteria are substantive (see paragraph AG38~~5~~.). ~~Other factors to consider may include, for example, statistics on mortality and immigration.~~

…

Appendix C – Implementation guidance

This guidance accompanies, but is not part of, this Standard.

IG1. The purpose of this Implementation Guidance is to illustrate certain aspects of the requirements of this Standard.

…

Recognition and measurement of liabilities and expenses

IG6. How do breaks in a beneficiary meeting the eligibility criteria for a social assistance benefit affect the recognition and measurement of the liability?

Background

IG7. For a social assistance benefit that has ongoing eligibility criteria (such as a threshold household income) an individual may alternate between periods when they meet the eligibility criteria, and periods when they do not meet those eligibility criteria. ~~In these circumstances, each instance of an individual satisfying the eligibility criteria is recognised and measured separately, in accordance with paragraph .21, and Application guidance paragraphs AG35. and AG37~~. Where an entity assesses ongoing eligibility criteria to be substantive, the entity ~~only recognises~~measures a liability up until the next point when the eligibility criteria are required to be satisfied, even if the

~~entity expects an~~ individual ~~to~~may continue to satisfy the eligibility criteria upon that next verification.

Scenario 1 – the eligibility criteria are substantive

IG8. For example, an entity prepares its financial statements as at 31 March. The benefit's rules require that existing beneficiaries must satisfy the eligibility criteria required to continue receiving social assistance benefits every three months. The entity assesses that the ongoing eligibility criteria are substantive. As at 31 March, an individual was unemployed, resulting in the individual's income level being below the threshold, and eligible to receive ~~unemployment~~ income support benefits. Consequently, the entity has a present obligation to the individual at the reporting date. Applying judgement and management's experience, the entity's best estimate is that the individual will be eligible to receive an ~~unemployment~~ income support benefit until the next point when the benefit's rules require the beneficiary to satisfy eligibility criteria (30 June), i.e. for three months. The entity ~~recognises~~ measures a liability for ~~unemployment~~ income support benefits for the period 1 April to 30 June. ~~Even when the entity expects the beneficiary to meet the ongoing eligibility criteria at 30 June, i~~In accordance with paragraph .20~~1,~~ and Application guidance paragraph~~s AG35. and~~ AG37., the entity ~~only recognises~~ measures ~~a liability until~~ any potential payments after 30 June at zero. The individual finds temporary employment on 20 June and ceases to be eligible for the ~~unemployment~~ income support benefits. The entity identifies that the individual is no longer eligible for benefits during its verification process in June~~,~~ and ceases payment~~ and recognises no further liabilities for this individual~~. The temporary employment ends on 31 July, when the individual once more becomes eligible for ~~unemployment~~ income support benefits. Only the first period of the individual's income being below the threshold is~~unemployment might be~~ included in the liability at the reporting date, as the second period is a new event related to a social risk which occurred~~eligibility criteria for the subsequent period were not satisfied until~~ after ~~that~~the reporting date. The ~~satisfaction of eligibility criteria for the~~ second period of meeting the eligibility criteria gives rise to a new liability after the reporting date (see paragraph AG32.).

Scenario 2 – the eligibility criteria are not substantive

IG9. Assume the same background information as scenario 1 applies, except that the eligibility criteria are not substantive~~ce~~. ~~This means that a~~As at 31 March, the entity determines its best estimate of the period that the individual would be eligible to receive ~~unemployment~~ income support benefits ~~without limiting the liability to the next date when eligibility criteria will be verified. Assume the entity's best estimate is that the individual will remain eligible for unemployment benefits for~~ as a period of four months from reporting date, i.e. from 1 April to 31 July, and measures the liability accordingly~~the entity recognises a liability until 31 July~~. As in scenario 1, the entity identifies that the individual is no longer eligible for benefits during its verification process in June~~,~~ and ceases payment~~ and recognises no further liabilities for this~~

~~individual~~. The temporary employment ends on 31 July, when the individual once more becomes eligible for ~~unemployment~~ income support benefits. Only the first period of unemployment ~~might be~~is included in the liability at the reporting date, as the second period of unemployment is a new event related to a social risk which occurred ~~eligibility criteria for the subsequent period were not satisfied until~~ after ~~that~~the reporting date. The ~~satisfaction of eligibility criteria for the~~ second period gives rise to a new liability after the reporting date (see paragraph AG32.).

…

IG16. How does an entity present and disclose information for each of its social benefit liabilities that have different characteristics, uncertainties and risks?

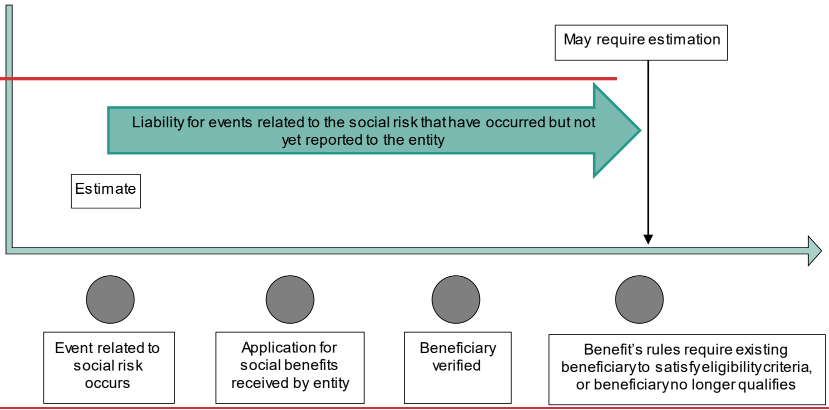
IG17. In accordance with Appendix A paragraph AG51~~3~~., an entity may present and disclose information on each of its social benefit liabilities that have different characteristics, uncertainties and risks separately. Also see paragraph IG14(b). At each reporting date, an entity recognises and measures the liabilities illustrated below. These liabilities are measured using the estimates as explained in Appendix A paragraph AG44~~6~~., and may be presented and disclosed separately at each reporting date. ~~The boundaries of each of the social benefit liabilities are explained in Appendix A paragraphs AG33. to AG39.~~

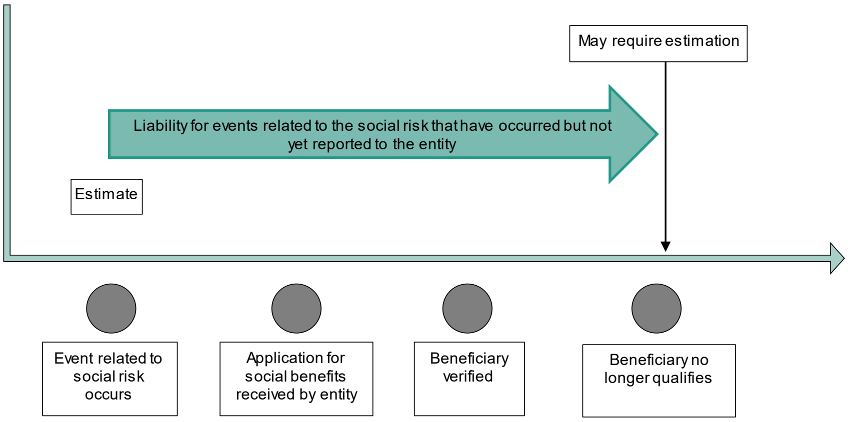
Social security insurance benefits

IG18. Social security insurance benefit liabilities are recognised when the event related to the social risk for which the social benefit is provided occurs. The following liabilities may be recognised, and presented and disclosed separately.

1. Liability for events related to the social risk that have occurred but have not yet been reported to an entity at the reporting date.

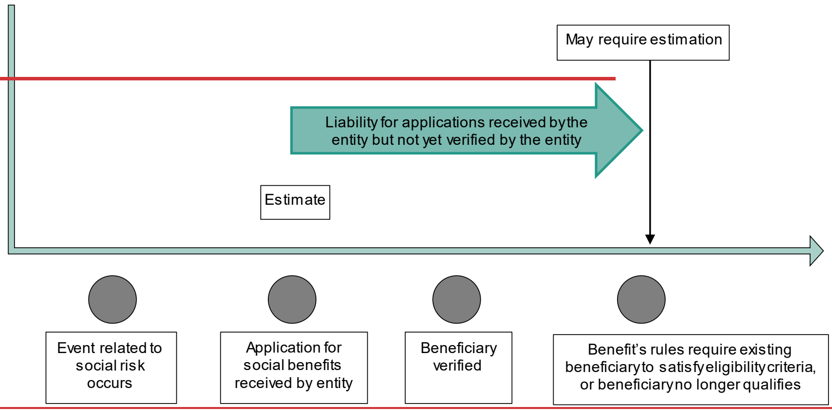
   In accordance with the recognition requirements, an entity recognises and estimates this liability at each reporting date. The liability can be illustrated as follows:

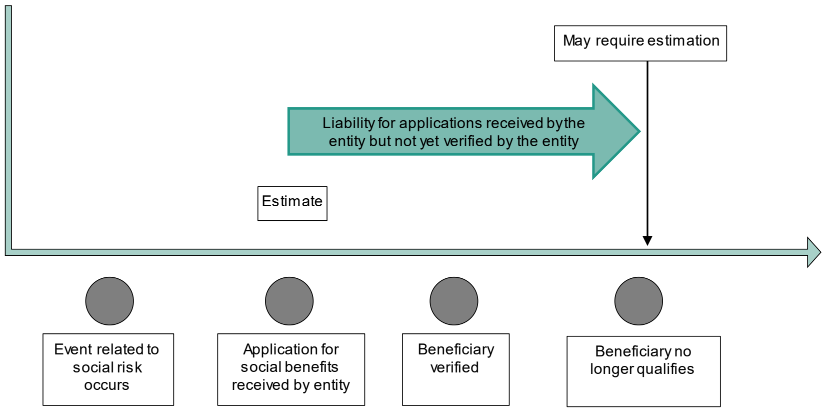




2. Liability for applications submitted to an entity which the entity has not yet verified to meet the eligibility criteria at the reporting date.

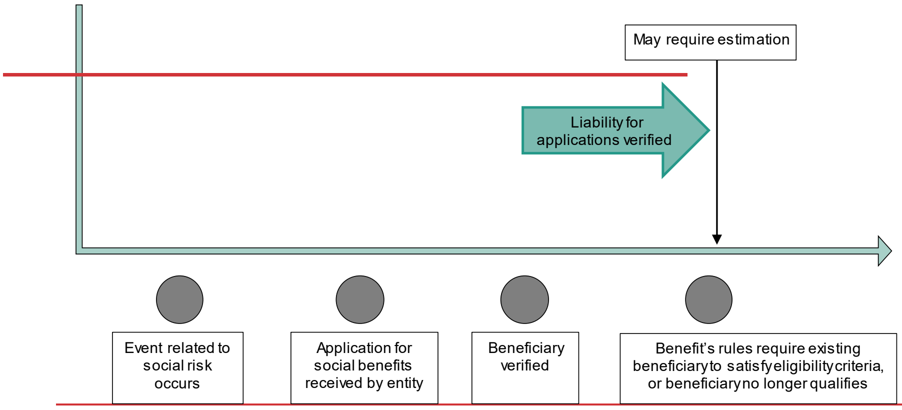
   The recognition requirements mean that an entity recognises and estimates the liability for applications received but not yet verified at each reporting date. Although the entity would have information on the applications received but not yet verified, the entity would need to estimate how many of these applications would meet the eligibility criteria and recognise a liability for those applications. The liability can be illustrated as follows:

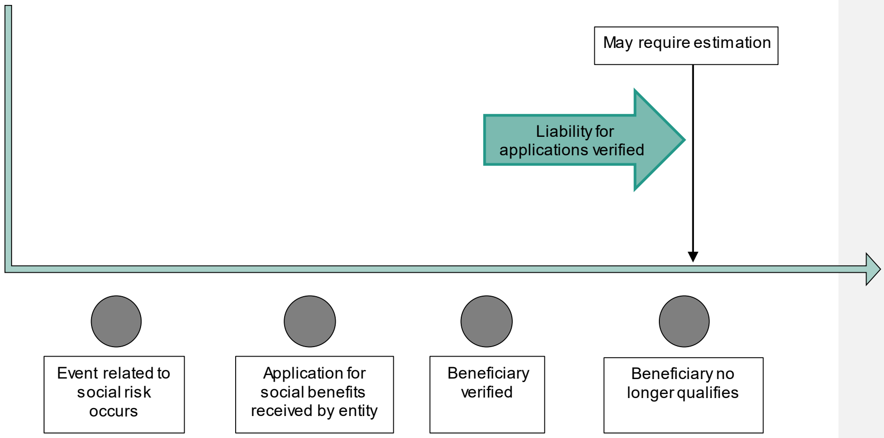




3. Liability for applications that the entity verified and met the eligibility criteria at the reporting date.

   The recognition requirements mean that an entity recognises the liability for applications that meet the eligibility criteria at each reporting date. The entity is expected to have actual information about these applications so no estimates are necessary. The liability can be illustrated as follows:





Social assistance benefits

IG19. Social assistance benefits are recognised when an entity providing the social benefit receives an application from a potential beneficiary. The following liabilities may be recognised, and presented and disclosed separately. ~~These liabilities are determined in the same way as illustrated in paragraph IG15.~~

…

Appendix D – Illustrative examples

This appendix is illustrative only and does not form part of this Standard. The purpose of this appendix is to illustrate the application of this Standard and to assist in clarifying its meaning.

…

Recognition and measurement of a social benefit liability

Illustrating the consequences of applying paragraphs .15 to .23~~5~~ and Appendix A paragraphs AG24. to AG49~~51~~.

Example 13 – Social assistance benefits

IE56. Government provides a child support benefit of R400 per month to primary caregivers of children under the age of 18. The amount of the benefit is legislated and there are no indications of changes to the legislation at the reporting date. Eligibility criteria include that the child and caregiver must be South African residents, and a means test is applied.

IE57. There are no contributions made by individuals and/or households towards the benefit. The benefit is funded by government appropriations to Department B. The benefit is classified as a social assistance benefit. The liability for social assistance benefits is recognised when Department B receives an application for social benefits from the potential beneficiary.

IE58. The benefit's rules require the satisfaction of ongoing eligibility criteria of beneficiaries every three years after the beneficiary first met the eligibility criteria. In accordance with paragraph .20~~1~~, Department B assesses that the ongoing eligibility criteria are substantive. Therefore, for purposes of measuring the liability, any payments after three years after the beneficiary first met the eligibility criteria are measured at R0.

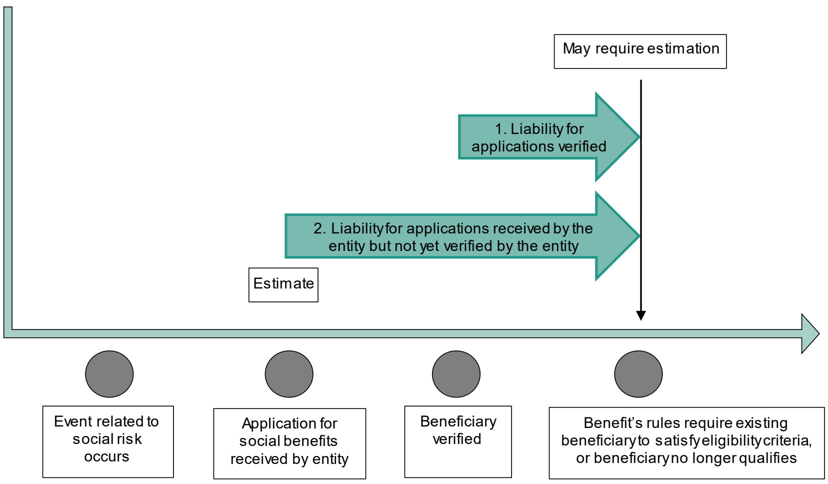
IE59. Department B's reporting date is 31 March. As at 31 March 20x1, Department B has received applications for social benefits from 100 000 beneficiaries that must still be verified to meet eligibility criteria, and has verified that 3 million beneficiaries meet the eligibility criteria. In measuring the social benefit liability, Department B estimates the following:

(a) The number of applications for social benefits that were submitted to Department B that must still be verified, that would meet the eligibility criteria to qualify for benefits. Department B estimates this with reference to past history and their experience.

(b) For each of the next 36 months, the number of beneficiaries that would receive the benefit is calculated by deducting the estimated number of beneficiaries that would no longer qualify for benefits in each of these months from the 3 million who qualify at the reporting date, and the number of beneficiaries estimated in (a) who must still be verified. The entity estimates this with reference to past history, current economic data and the entity's experience. Beneficiaries may no longer qualify due to no longer meeting the eligibility criteria (such as the child turns 18, or the household income increases to above the threshold), or the payments may be measured at R0 after reaching the date where the beneficiary is required to meet ongoing eligibility criteria.

(c) The effect of discounting is considered to be material. The discount rate used to determine the present value of the estimated future cash flows is estimated with reference to the rate of a government bond with a maturity date of three years.

IE60. As explained in Appendix C paragraph IG20~~17~~. this can be illustrated as follows:



IE61. For illustrative purposes, the amortisation table below summarises the results of the entity's estimates by year in total. The entity's calculations are done per month.

Year	31 March 20x2			31 March 20x3			31 March 20x4		
Areas of estimation	**Average number verified[2]**	**Monthly rate x 12**	**Total payable**	**Average number verified[2] ~~[5]~~**	**Monthly rate x 12**	**Total payable**	**Average number verified[2] ~~[5]~~**	**Monthly rate x 12**	**Total payable**
1. Liability for applications verified									
Estimates	2.5 million	R400 x 12 = R4 800	**R12 billion**	1.5 million	R400 x 12 = R4 800	**R7.2 billion**	0.5 million	R400 x 12 = R4 800	**R2.4 billion**

[2] The entity estimates the monthly number of beneficiaries that would continue to meet the eligibility criteria, the average yearly number is illustrated in the summarised table.

Year	31 March 20x2			31 March 20x3			31 March 20x4		
Areas of estimation	**Average number verified[2]**	**Monthly rate x 12**	**Total payable**	**Average number verified[2]**	**Monthly rate x 12**	**Total payable**	**Average number verified[2]**	**Monthly rate x 12**	**Total payable**
Present value[3]			**R11.1 billion**			**R6.2 billion**			**R1.9 billion**
2. Liability for applications received but not yet verified									
Estimates	50 000	R400 x 12 = R4 800	**R240 million**	**30 000**	R400 x 12 = R4 800	**R144 million**	**10 000**	R400 x 12 = R4 800	**R48 million**
Present value[3]			**R222 million**			**R123 million**			**R38 million**
Total present value			**R19.6 billion**						

IE62. Accordingly, the entity recognises a social benefit liability of R19.6 billion at the reporting date (31 March 20x1):

Dr. Social assistance benefit expense	R19.6 billion	
Cr. Social assistance benefit liability for applications verified		R19.2 billion
Cr. Social assistance benefit liability for applications received but not yet verified		R0.4 billion

IE63. The entity presents the following in the statement of financial position at the reporting date (31 March 20x1):

STATEMENT OF FINANCIAL POSITION **As at 31 March 20x1**	**R' billion**
ASSETS	
…	
LIABILITIES	
Current liabilities	
Social assistance benefit liability for applications verified	11.1
Social assistance benefit liability for applications received but not yet verified	0.2

[3] The entity uses a risk free rate of 8% to determine the present value of future cash flows, which was derived from a yield curve of government bonds with a maturity of 3 years. The rate applied should be according to a monthly yield curve, although for illustration purposes the rate at the last cash flow point was applied.

Non-current liabilities	
Social assistance benefit liability for applications verified	8.1
Social assistance benefit liability for applications received but not yet verified	0.2
Total liabilities	**19.6**
…	
Total net assets	

…

Example 14 – Social security insurance benefits

IE64. Government provides a monthly unemployment benefit to those who become unemployed, for a maximum period of 9 months in every four years. The benefit is calculated as a percentage of an unemployed individual's last salary, with a maximum benefit level determined in legislation.

IE65. The benefit is funded by contributions in equal proportions from employed individuals and their employers. The contributions are calculated as a percentage of the individual's monthly salary with a maximum contribution level determined in legislation. The entity assesses that the benefit meets the definition of a social security insurance benefit. Social security insurance benefits are recognised when the event related to the social risk occurs. The entity determines the past event to be when an individual becomes unemployed. An unemployed individual must submit an application for social benefits to the entity within 6 months of becoming unemployed to qualify for benefits.

IE66. The eligibility criteria include that the individual is unemployed, previously contributed towards the benefit, has not received the benefit for more than nine months in the last four years, became unemployed no more than six months prior to submitting an application for benefits to the entity, and is actively looking for new employment.

~~IE67. The benefit's rules require beneficiaries to meet ongoing eligibility criteria, however the entity does not enforce the eligibility criteria due to the short-term nature of the benefit. Instead, the entity relies on information from external parties. The entity concludes that the ongoing eligibility criteria are not substantive.~~

IE67~~8~~. The entity's reporting date is 31 March. In measuring the social benefit liability, the entity estimates the following:

(a) The number of beneficiaries that became unemployed in the last 6 months and would qualify for benefits, but have not yet submitted an application to the entity. This information is estimated with reference to (i) monthly tax information submitted by employers to the South African Revenue Service, and compared to the entity's information on applications that have been submitted, (ii) past history, (iii) unemployment statistics from Statistics South Africa, and (iv) current macro economic conditions.

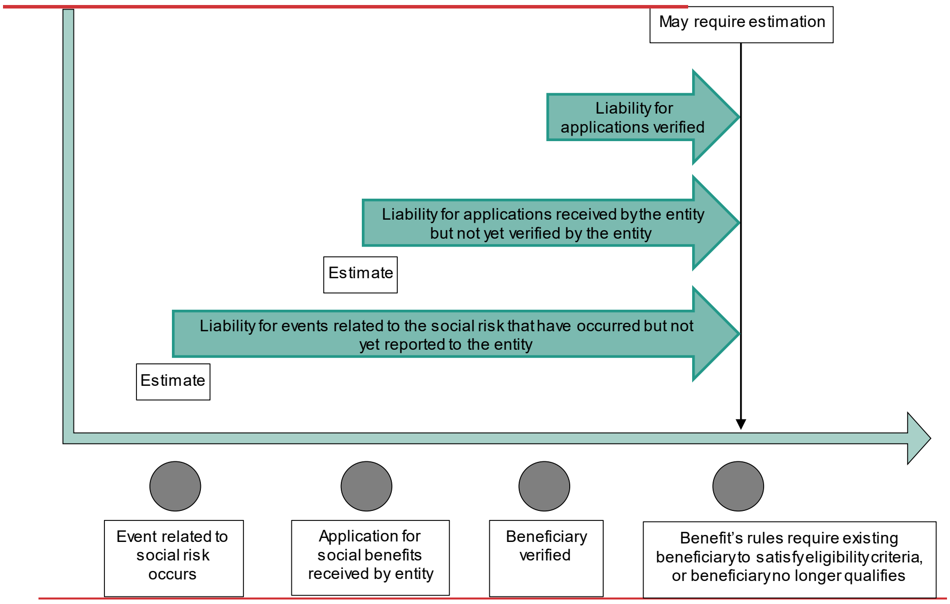
(b) The number of applications for social benefits that have been received by the entity that must still be verified, that would meet the eligibility criteria to qualify for benefits. The entity estimates this with reference to past history and the entity's experience.

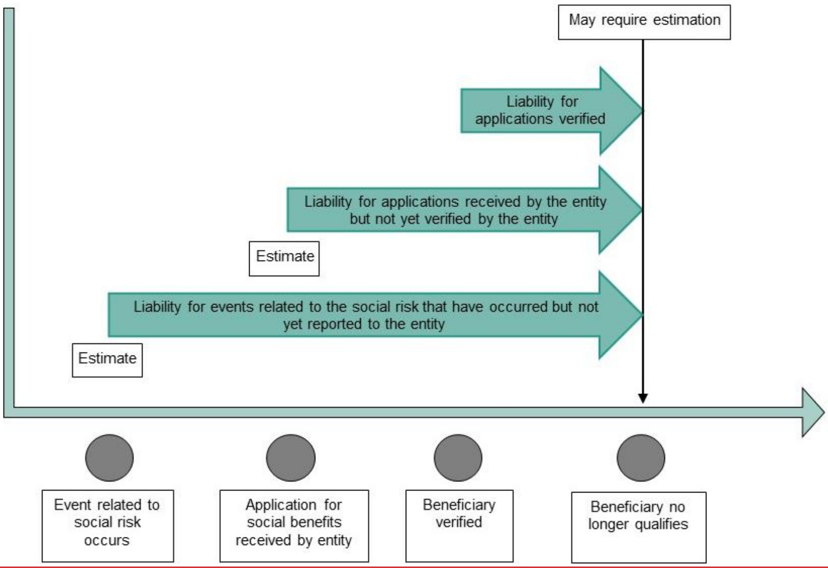
(c) For (a) and (b) above, the rates at which the qualifying beneficiaries would receive benefits.

(d) For (a) and (b) above, as well as for existing beneficiaries that have already been verified to qualify for benefits, the period over which the beneficiaries will remain eligible to receive benefits. The entity estimates this with reference to past history, current economic data and the entity's experience. Beneficiaries may no longer qualify due to no longer meeting the eligibility criteria, such as finding new employment, or reaching the maximum benefit period of nine months in a four year period.

(e) The maximum period that the entity forecasts future benefit payments is 15 months (six months to apply for social benefits + nine months of benefits). The entity determines the effect of discounting to be material. The discount rate used to determine the present value of the estimated future cash flows is with reference to the rate of a government bond with a maturity date of one year.

IE68~~9~~. As explained in Appendix C paragraph IG20~~17~~. this can be illustrated as follows:





IE69~~70~~. For illustrative purposes, the amortisation table below summarises the results of the entity's estimates by year in total. The entity's calculations are done per month.

Year	31 March 20x2			31 March 20x3		
Areas of estimation	**Average number[4]**	**Average monthly rate**	**Total payable**	**Average number[4]~~[7]~~**	**Average monthly rate**	**Total payable**
1. Liability for applications verified						
Estimates	5 million per month for 9 months	R4 000/ month[5]	**R180 billion**	N/A	N/A	-
Present value[6]			**R171 billion**			
2. Liability for applications received but not yet verified						

[4] The entity estimates the monthly number of beneficiaries that would meet, and continue to meet the eligibility criteria; the average number is illustrated in the summarised table.
[5] The entity has the actual monthly benefit information available; the table includes an average amount per beneficiary for illustrative purposes.
[6] The entity uses a risk free rate of 7% to determine the present value of future cash flows. For purposes of the illustration the rate was derived from a yield curve of government bonds with a maturity of 1 year. The rate applied should be according to a monthly yield curve, although for illustration purposes the rate at the last cash flow point was applied.

Year	31 March 20x2			31 March 20x3		
Areas of estimation	**Average number[4]**	**Average monthly rate**	**Total payable**	**Average number[4]~~7~~**	**Average monthly rate**	**Total payable**
Estimates	500 000 per month for 9 months	R4 000/ month[7]	**R18 billion**	N/A	N/A	-
Present value[6]~~9~~			**R17 billion**			
3. Liability for events related to the social risk that have occurred but not yet reported to the entity						
Estimates	1 million per month for 12 months	R4 000/ month[7]~~10~~	**R48 billion**	200 000 per month for 3 months	R4 000/ month[7]~~10~~	**R2.4 billion**
Present value[6]~~9~~			**R45 billion**			**R2.2 billion**
Total present value			**R235.2 billion**			

IE70~~1~~. Accordingly, the entity recognises a social benefit liability of R235.2 billion at the reporting date (31 March 20x1):

Dr. Social security insurance benefit expense	R235.2 billion
Cr. Social security insurance benefit liability for applications verified	R171 billion
Cr. Social security insurance benefit liability for applications received but not yet verified	R17 billion
Cr. Social security insurance benefit liability for events related to the social risk that have occurred but not yet reported to the entity	R47.2 billion

IE71~~2~~. The entity presents the following in the statement of financial position at the reporting date (31 March 20x1):

STATEMENT OF FINANCIAL POSITION **As at 31 March 20x1**	**R' billion**
ASSETS	
…	
LIABILITIES	
Current liabilities	
Social security insurance benefit liability for applications verified	171

[7] The entity estimates the monthly benefit for beneficiaries that must still be verified; the table includes an average amount per beneficiary for illustrative purposes.

Social security insurance benefit liability for applications received but not yet verified	17
Social security insurance benefit liability for events related to the social risk that have occurred but not yet reported to the entity	45
Non-current liabilities	
Social security insurance benefit liability for events related to the social risk that have occurred but not yet reported to the entity	2.2
Total liabilities	**235.2**
…	
Total net assets	

Basis for conclusions

This basis for conclusions gives the Accounting Standards Board's (Board's) reasons for accepting or rejecting certain proposals related to the accounting for social benefits. This basis for conclusions accompanies, but is not part of, this Standard.

…

Recognition of a social benefit liability

…

~~**Boundaries of social benefit liabilities**~~

~~BC46. IPSAS 42 prescribes that the satisfaction by each beneficiary of all eligibility criteria to receive a social benefit payment, including implicit eligibility criteria, is a separate past event. As noted in paragraph BC17, stakeholders did not support the limited liability that arises from this approach. The Board considered whether there could be circumstances when existing beneficiaries are required to satisfy eligibility criteria at specified intervals, which gives rise to new liabilities. The Board agreed that this Standard should reflect that the satisfaction by each beneficiary of the eligibility criteria to continue receiving a social benefit will only give rise to a new liability when the eligibility criteria are substantive. The eligibility criteria are substantive when, in accordance with a benefit's rules, existing beneficiaries do not qualify to continue receiving social benefits until they have satisfied the required eligibility criteria, and the entity has a past history of enforcing the eligibility criteria. Even though an entity may expect some existing beneficiaries will continue to meet the eligibility criteria and continue to receive social benefits, the reassessment represents the boundary of an entity's present obligation to provide social benefits when the eligibility criteria are substantive. An existing beneficiary meeting substantive eligibility criteria at a future date gives rise to a new liability in the future.~~

Measurement

BC53. The Board did not identify any issues with the measurement requirements of IPSAS 42, which applies the cost of fulfilment measurement basis, which is similar to the present value in IPSAS 19 and GRAP 19. IPSAS 42 includes limited guidance on the application of the measurement requirements and the Board agreed this Standard should include additional guidance similar to the guidance in GRAP 19.

~~**Boundaries of social benefit liabilities**~~

BC54~~6~~. IPSAS 42 prescribes that the satisfaction by each beneficiary of all eligibility criteria to receive a social benefit payment, including implicit eligibility criteria, is a separate past event. As noted in paragraph BC22~~17~~, stakeholders did not support the limited liability that arises from this approach. In developing ED 205, t~~T~~he Board considered whether there could be circumstances when existing beneficiaries are required to satisfy eligibility criteria at specified intervals, which gives rise to new liabilities. The Board agreed that ~~this Standard~~ED 205 should reflect that the satisfaction by each beneficiary of the eligibility criteria to continue receiving a social benefit will only give rise to a new liability when the eligibility criteria are substantive. The eligibility criteria are substantive when, in accordance with a benefit's rules, existing beneficiaries do not qualify to continue receiving social benefits until they have satisfied the required eligibility criteria, and the entity has a past history of enforcing the eligibility criteria. Even though an entity may expect some existing beneficiaries will continue to meet the eligibility criteria and continue to receive social benefits, the reassessment represents the boundary of an entity's present obligation to provide social benefits when the eligibility criteria are substantive. An existing beneficiary meeting substantive eligibility criteria at a future date gives rise to a new liability in the future.

BC55. Respondents to ED 205 questioned the approach to consider the satisfaction of substantive ongoing eligibility criteria as part of recognising a social benefit liability. They considered that recognising a new liability for an existing beneficiary meeting substantive eligibility criteria at a future date could be contrary to the initial recognition proposals, which require the recognition of a liability before an application is verified to meet all eligibility criteria. The Board agreed with this view.

BC56. The Board noted that respondents to ED 205 supported that the application of the "boundary" provides users with useful information about an entity's present obligation to provide social benefits at the reporting date, i.e. the best estimate of the costs (social benefit payments) that an entity will incur in fulfilling the present obligation, i.e. the amount that the entity would rationally pay to settle the obligation at the reporting date. The Board therefore agreed to retain the principle, but noted that the satisfaction of substantive ongoing eligibility criteria affects the measurement of the liability and not the recognition. In response to the comment on ED 205, the guidance was amended so that the satisfaction by each beneficiary of the eligibility criteria required to continue receiving a social benefit affects the measurement of the liability when the eligibility criteria are substantive.

BC57. The Board further considered the social benefits to which the concept should apply. The Board concluded that entities should only consider the impact on the liability of a beneficiary meeting substantive ongoing eligibility criteria in future for social assistance benefits. This change is aligned to the reasons why the Board developed different recognition points for social security insurance benefit liabilities and social assistance benefit liabilities:

- Social security insurance benefits are funded by contributions and there is information about the particular individuals who contribute and may become beneficiaries. Applying the "boundary" to social security insurance benefit liabilities may be inappropriate.
- Social assistance benefits are funded by government on an ongoing basis and less information is available about beneficiaries. Applying the "boundary" to social assistance benefit liabilities may be appropriate.

BC58. The Board considered the change in paragraph BC57. and assessed that it may have a significant impact on the liabilities for social security insurance benefits, compared to ED 205. The Board also noted that this change was not in response to stakeholder comment on ED 205 and stakeholders have not had an opportunity to provide comment thereon. The Board therefore re-exposed the amended proposals in ED 214. For completeness purposes, the Board included the amendments from responding to comment on ED 205 discussed in paragraph BC56. in ED 214.

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