



ACCOUNTING STANDARDS BOARD

DIRECTIVE

CHANGES IN MEASUREMENT BASES FOLLOWING THE INITIAL ADOPTION OF STANDARDS OF GRAP (DIRECTIVE 11)



Directive 11

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Directive 11

Introduction

This pronouncement is set out in paragraphs .01 to .10. 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*.

Objective

- .01 The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* (GRAP 3). This Directive should therefore be read in conjunction with GRAP 3.

Scope

- .02 This Directive shall be applied by entities that apply Standards of GRAP. This Directive can only be applied when an entity elects to change the measurement bases selected for certain assets on the initial adoption of Standards of GRAP.
- .03 This Directive cannot be applied by analogy to any other circumstance, transaction or event other than that outlined in paragraph .02.

Changes in measurement bases following the initial adoption of Standards of GRAP

- .04 GRAP 3 sets out circumstances when an entity may change its accounting policy. Paragraph .13 of GRAP 3 allows an entity to change its accounting policy only if the change:
- (a) is required by a Standard of GRAP; or
 - (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.
- .05 In applying paragraph .13(b) of GRAP 3, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets, heritage assets or living resources, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.
- .06 Paragraphs .21 to .33 of GRAP 3 describes how an entity should account for a change in an accounting policy. Those requirements shall be applied to the changes in accounting policy described in this Directive.
- .07 In accordance with GRAP 3 an entity shall apply the change in accounting policy retrospectively and provide disclosures that will ensure that the information enclosed in the financial statements is relevant and reliable. Those requirements shall be applied by an entity that has elected to change its accounting policy in accordance with this Directive.



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- .08 Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in GRAP 3.

Effective date

- .09 An entity can only take advantage of the provisions in this Directive within a period of three years following the expiry of the transitional provisions applied on the initial adoption of the Standards of GRAP, or the effective date of this Directive, whichever is later.
- .10 This Directive shall be applied by entities in preparing their financial statements for periods commencing on or after 1 April 2015. Earlier application is permitted.