ACCOUNTING STANDARDS BOARD

DIRECTIVE

TRANSITIONAL PROVISIONS FOR PUBLIC ENTITIES, TRADING ENTITIES, MUNICIPAL ENTITIES, PUBLIC TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING COLLEGES, AND CONSTITUTIONAL INSTITUTIONS

(DIRECTIVE 2)

Issued by the
Accounting Standards Board

May 2010

Directive 2

DIRECTIVE ON TRANSITIONAL PROVISIONS FOR PUBLIC ENTITIES, TRADING ENTITIES, MUNICIPAL ENTITIES AND CONSTITUTIONAL INSTITUTIONS

This Directive was originally issued by the Accounting Standards Board (the Board) in February 2008. Since then, it has been amended by:

- The transitional provisions for assets acquired and liabilities assumed through a transfer of functions in the absence of a Standard of GRAP dealing with those aspects (March 2009).
- The transitional provisions for the initial adoption of the following Standards of GRAP (July 2009):
  - GRAP 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)*
  - GRAP 24 *Presentation of Budget Information in Financial Statements*
  - GRAP 103 *Heritage Assets*
- The transitional provisions for the initial adoption of the following Standards of GRAP (November 2009):
  - GRAP 21 *Impairment of Non-cash-generating Assets*
  - GRAP 26 *Impairment of Cash-generating Assets*
- The deletion of text relating to transitional provisions paragraphs withdrawn in Standards of GRAP and the consequential re-numbering of paragraphs (February 2010).
- Amendments to paragraph .07 as a result of the Improvements to the Standards of GRAP issued in February 2010.
- The transitional provisions for the initial adoption of the following Standards of GRAP (June 2011):
  - GRAP 25 *Employee Benefits*
  - GRAP 104 *Financial Instruments*
- The transitional provisions for the initial adoption of the following Standards of GRAP (November 2011):
  - GRAP 20 *Related Party Disclosures*
  - GRAP 105 *Transfer of Functions Between Entities Under Common Control*
  - GRAP 106 *Transfer of Functions Between Entities Not Under Common Control*
  - GRAP 107 *Mergers*

- Amendments to the title of the Directive and the scope paragraph as a consequence of issuing Directive 9 *The Application of the Standards of GRAP by Trading Entities.*
- Consequential amendments following the revisions to the following Standards of GRAP in 2013:
    - GRAP 5 *Borrowing Costs*
    - GRAP 100 *Discontinued Operations*
- Consequential amendments resulting from the issue of Directive 10 *Application of Standards of GRAP by Public Technical and Vocational Education and Training Colleges.*
- The transitional provisions for the initial adoption of the following Standards of GRAP (March 2014):
    - GRAP 32 *Service Concession Arrangements: Grantor*
    - GRAP 108 *Statutory Receivables*
- Consequential amendments resulting from the issue of Directive 12 *The Selection of an Appropriate Reporting Framework by Public Entities.*
- The transitional provisions for the initial adoption of GRAP 109 *Accounting by Principals and Agents* in December 2015.
- Amendments to the Directives made in March 2016 as a result of the amendments to the transitional provisions for the initial adoption of the following Standards of GRAP:
    - GRAP 105 *Transfer of Functions Between Entities Under Common Control*
    - GRAP 106 *Transfer of Functions Between Entities Not Under Common Control*
    - GRAP 107 *Mergers*
- The transitional provisions for the initial adoption of GRAP 110 *Living and Non-living Resources* in December 2017.
- The transitional provisions for the initial adoption of the following Standards of GRAP in May 2018:
    - GRAP 34 *Separate Financial Statements*
    - GRAP 35 *Consolidated Financial Statements*
    - GRAP 36 *Investments in Associates and Joint Ventures*
    - GRAP 37 *Joint Arrangements*
    - GRAP 38 *Disclosure of Interests in Other Entities*
- The transitional provisions for the initial adoption of amendments to GRAP 25 *Employee Benefits* issued in April 2021.

Introduction

This pronouncement is set out in paragraphs .01 to .114. 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 set the transitional provisions for public entities, municipal entities, constitutional institutions and trading entities.

.02 Standards of GRAP set out the recognition, measurement, presentation and disclosure requirements for financial reporting in the public sector in South Africa. This Directive should be read in conjunction with the applicable Standards of GRAP.

Scope

.03 This Directive shall be applied by:

- public entities, including those entities that do not meet the criteria to apply IFRS® Accounting Standards as outlined in the Directive on *The Selection of an Appropriate Reporting Framework by Public Entities*;
- municipal entities and constitutional institutions;
- trading entities as outlined in the Directive on *The Application of Standards of GRAP by Trading Entities*; and
- public Technical and Vocational Education and Training colleges as outlined in the Directive on *Application of Standards of GRAP by Public Technical and Vocational Education and Training Colleges.*

Effective date

.04 This Directive shall be applied on or after the effective date of the applicable Standards of GRAP. The Minister of Finance determines the effective dates for Standards of GRAP.

GRAP 1 *Presentation of Financial Statements*

Transitional provisions

.05 All provisions of the Standard of GRAP on Presentation of Financial Statements (GRAP 1) shall apply on or after the effective date of the Standard, except in relation to items that have not been measured in accordance with other Standards of GRAP as a result of transitional provisions under those Standards of GRAP.

.06 Transitional provisions in other Standards of GRAP take precedence over the requirements of GRAP 1. The requirements of GRAP 1 will therefore not apply to an item until the transitional provisions in those other Standards of GRAP expire, and the item is measured in the financial statements.

.07 Where an entity has taken advantage of the transitional provisions in other Standards of GRAP, the following disclosures shall be made in the financial statements:

(a) the fact that the entity has taken advantage of the transitional provisions;

(b) the classes of assets and/or liabilities that have not been measured in accordance with the applicable Standards of GRAP at the previous reporting date, but which are now so measured;

(c) the nature and amount of any reporting period adjustments recognised during the period; and

(d) the date that it will comply in full with the requirements of the Standards of GRAP, as well as information on the progress made by the entity towards measuring assets or liabilities in accordance with the requirements of Standards of GRAP.

GRAP 4 *The Effects of Changes in Foreign Exchange Transactions*

Transitional provisions

.08 An entity shall apply paragraph .52 of the Standard of GRAP on The Effects of Changes in Foreign Exchange Transactions (GRAP 4) prospectively to all acquisitions of foreign operations occurring after the beginning of the financial reporting period in which the Standard is initially adopted. Retrospective application of paragraph .52 to earlier acquisitions is permitted. For an acquisition of a foreign operation treated prospectively but which occurred before the date on which GRAP 4 is initially adopted, the entity shall not restate prior periods and accordingly may, when appropriate, treat goodwill and fair value adjustments arising on that acquisition as assets and liabilities of the entity rather than as assets and liabilities of the foreign operation. Therefore, those goodwill and fair value adjustments either are already expressed in the entity's functional currency or are non-monetary foreign currency items, which are reported using the exchange rate at the date of the acquisition.

.09 All other changes resulting from the application of GRAP 4 shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3).

.10 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

.11 Where items have not been measured as a result of transitional provisions under other Standards of GRAP, GRAP 4 does not apply to those items.

.12 The transitional provisions in other Standards of GRAP take precedence over the requirements of GRAP 4. The requirements of GRAP 4 will therefore not apply to an item until the transitional provisions in the applicable Standards of GRAP expire and the item is measured in the financial statements.

GRAP 5 *Borrowing Costs*

Transitional provisions

.13 An entity shall apply the requirements of the Standard of GRAP on Borrowing Costs (GRAP 5) prospectively, subject to paragraph .14.

.14 The amendments to this Standard of GRAP issued in February 2013 which allow the expensing or capitalising of borrowing costs shall be applied prospectively, subject to paragraph .15.

.15 Borrowing costs, incurred both before and after the effective date of this amendment and related to qualifying assets for which the commencement date for capitalisation is prior to the effective date of this Standard, shall be recognised in accordance with the entity's previous accounting policies.

.16 Where the adoption of these amendments results in a change in accounting policy, an entity shall disclose this fact in its accounting policies along with sufficient information about the details and dates of the change.

.17 An entity expenses borrowing costs incurred on or after the effective date of GRAP 5 for any assets acquired after the initial adoption if this Standard. Borrowing costs incurred on qualifying assets where the commencement date for capitalisation is prior to the effective date of GRAP 5, are recognised in accordance with the entity's previous accounting policies (if any), and includes borrowing costs incurred both before and after the initial adoption of this Standard.

GRAP 6 *Consolidated and Separate Financial Statements*

Transitional provisions

.18 All changes resulting from the application of the Standard of GRAP on Consolidated and Separate Financial Statements (GRAP 6) shall be accounted for in accordance with the requirements of GRAP 3.

.19 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

GRAP 7 *Investments in Associates*

Transitional provisions

.20 All changes resulting from the application of the Standard of GRAP on Investments in Associates shall be accounted for in accordance with the requirements of GRAP 3.

.21 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

GRAP 8 *Interests in Joint Ventures*

Transitional provisions

.22 All changes resulting from the application of the Standard of GRAP on Interests in Joint Ventures shall be accounted for in accordance with the requirements of GRAP 3.

.23 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

GRAP 9 *Revenue from Exchange Transactions*

Transitional provisions

.24 All changes resulting from the application of the Standard of GRAP on Revenue from Exchange Transactions shall be accounted for in accordance with the requirements of GRAP 3.

.25 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

GRAP 11 *Construction Contracts*

Transitional provisions

.26 All changes resulting from the application of the Standard of GRAP on Construction Contracts shall be accounted for in accordance with the requirements of GRAP 3.

.27 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

GRAP 12 *Inventories*

Transitional provisions

.28 All changes resulting from the application of the Standard of GRAP on Inventories shall be accounted for in accordance with the requirements of GRAP 3.

.29 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

GRAP 13 *Leases*

Transitional provisions

.30 All changes resulting from the application of the Standard of GRAP on Leases (GRAP 13) shall be accounted for in accordance with the requirements of GRAP 3.

.31 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

.32 Where items have not been measured as a result of transitional provisions under other Standards of GRAP, GRAP 13 does not apply to those items.

.33 The transitional provisions in other Standards of GRAP take precedence over the requirements of GRAP 13*.* The requirements of GRAP 13 will therefore not apply to an item until the transitional provisions in the applicable Standards of GRAP expire and the item is measured in the financial statements.

.34 While entities are not required to measure finance lease assets/liabilities in their financial statements in relation to those assets and liabilities that have not been measured as a result of applying the transitional provisions in other Standards of GRAP, entities are required to apply the disclosure requirements included in GRAP 13 insofar as the lease assets/liabilities have been identified.

GRAP 16 *Investment Property*

Transitional provisions

.35 All changes resulting from the application of the Standard of GRAP on Investment Property shall be accounted for in accordance with the requirements of GRAP 3.

.36 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

GRAP 17 *Property, Plant and Equipment*

Transitional provisions

.37 All changes resulting from the application of the Standard of GRAP on Property, Plant and Equipment shall be accounted for in accordance with the requirements of GRAP 3.

.38 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

GRAP 18 *Segment Reporting*

Transitional provisions

.39 All provisions of the Standard of GRAP on Segment Reporting (GRAP 18) shall be applied on or after the effective date of the Standard, except in relation to items that have not been measured in accordance with the applicable Standards of GRAP as a result of transitional provisions under those Standards.

.40 The transitional provisions in other Standards of GRAP take precedence over the requirements of GRAP 18*.* The requirements of GRAP 18 will therefore not apply to an item until the transitional provisions in the applicable Standards of GRAP expire and the item is measured in the financial statements.

.41 On initial adoption of GRAP 18, comparative segment information need not be presented.

GRAP 19 *Provisions, Contingent Liabilities and Contingent Assets*

Transitional provisions

.42 All changes resulting from the application of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (GRAP 19) shall be accounted for in accordance with the requirements of GRAP 3.

.43 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

GRAP 20 *Related Party Disclosures*

Transitional provisions

.44 With the exception of paragraph .46, the requirements resulting from the application of the Standard of GRAP on Related Party Disclosures (GRAP 20) shall be accounted for in accordance with the requirements of GRAP 3.

.45 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

.46 Except for those disclosures that are exempt in paragraph .32 of the Standard, in the year that an entity initially adopts GRAP 20, it discloses comparative information for the disclosures required in paragraphs .27, .28 and .34 of the Standard to the extent that the information was previously disclosed in the financial statements. Where the information was not previously disclosed in the financial statements, paragraphs .27, .28 and .34 of the Standard are applied prospectively.

.47 As a result of applying the transitional provisions outlined in paragraph .46 of this Directive, the following information shall be disclosed on the initial adoption of GRAP 20:

(a) Where entities have previously disclosed the information required by paragraphs .27 and .28 of the Standard in their financial statements they should provide comparative information in the year that the entity initially adopts the Standard, except in relation to information that is exempt from disclosure in paragraph .32 (see paragraph (b)). Where the information was not previously disclosed in the financial statements, an entity provides the information for the current year only and is not required to provide comparative information in the year that it initially adopts the Standard.

(b) Entities should not provide comparative information for the disclosures required in paragraphs .27 and .28 of the Standard, if these disclosures are exempt in paragraph .32, even if such information was included in the financial statements in prior years. Entities should provide comparative information for the requirements in paragraph .34 of the Standard to the extent that such information was previously disclosed in the financial statements.

GRAP 21 *Impairment of Non-cash-generating Assets*

Transitional provisions

.48 An entity shall apply the requirements of the Standard of GRAP on Impairment of Non-cash-generating Assets (GRAP 21) prospectively from the effective date of the Standard, except in relation to items that have not been measured in accordance with other Standards of GRAP as a result of transitional provisions under those Standards of GRAP.

.49 Transitional provisions in other Standards of GRAP take precedence over the requirements of GRAP 21. GRAP 21 will therefore not apply to an item until the transitional provisions in those other Standards of GRAP expire, and the item is measured in the financial statements.

GRAP 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)*

Transitional provisions

.50 All changes resulting from the application of the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers) shall be accounted for in accordance with the requirements of GRAP 3.

.51 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

GRAP 24 *Presentation of Budget Information in Financial Statements*

Transitional provisions

.52 An entity shall apply the requirements of the Standard of GRAP on Presentation of Budget Information in Financial Statements prospectively.

GRAP 25 *Employee Benefits*

Transitional provisions

All employee benefits

.53 All changes resulting from the application of the Standard of GRAP on Employee Benefits (GRAP 25) shall be accounted for retrospectively in accordance with the requirements of GRAP 3, except that:

(a) An entity need not adjust the carrying amount of assets outside the scope of GRAP 25 for changes in employee benefit costs that were included in the carrying amount before the date of initial adoption. The date of initial adoption is the beginning of the earliest prior period presented in the first financial statements in which the entity adopts GRAP 25.

(b) An entity need not present comparative information for the disclosures required by paragraph .147 about the sensitivity of the defined benefit obligation.

.54 [Deleted].

Defined benefit plans

.55 [Deleted].

.56 [Deleted].

.57 [Deleted].

.58 [Deleted].

.59 [Deleted].

.60 [Deleted].

.61 [Deleted].

.62 [Deleted].

GRAP 26 *Impairment of Cash-generating Assets*

Transitional provisions

.63 An entity shall apply the requirements of the Standard of GRAP on Impairment of Cash-generating Assets (GRAP 26) prospectively from the effective date of the Standard, except in relation to items that have not been measured in accordance with other Standards of GRAP as a result of transitional provisions under those Standards of GRAP.

.64 Transitional provisions in other Standards of GRAP take precedence over the requirements of GRAP 26. The requirements of GRAP 26 will therefore not apply to an item until the transitional provisions in those other Standards of GRAP expire, and the item is measured in the financial statements.

GRAP 27 *Agriculture*

Transitional provisions

.65 All changes resulting from the application of the Standard of GRAP on Agriculture shall be accounted for in accordance with the requirements of GRAP 3.

.66 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

GRAP 31 *Intangible Assets*

Transitional provisions

.67 All changes from the application of the Standard of GRAP on Intangible Assets (GRAP 31) shall be accounted for in accordance with the requirements of GRAP 3.

.68 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

.69 Notwithstanding the requirements in paragraph .69 of GRAP 31, where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard.

GRAP 32 *Service Concession Arrangements: Grantor*

.70 Changes resulting from the application of the Standard of GRAP on Service Concession Arrangements: Grantor shall be accounted for in accordance with the requirements of GRAP 3.

.71 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

GRAP 34 *Separate Financial Statements*

Transitional provisions

.71A All the changes resulting from the application of the Standard of GRAP on Separate Financial Statements (GRAP 34) shall be accounted for in accordance with the requirements of GRAP 3, except as specified in paragraphs .71C to .71I.

.71B When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

Equity method

.71C In accordance with paragraph .10 of GRAP 34, an entity may elect to use the equity method as described in the Standard of GRAP on Investments in Associates and Joint Ventures (GRAP 36), to account for investments in its separate financial statements. All changes resulting from the application of the equity method shall be accounted for in accordance with the requirements of GRAP 3.

Controlling entity that is an investment entity

.71D On the initial adoption of GRAP 34, an investment entity that previously measured its investment in a controlled entity at cost shall instead measure that investment at fair value in accordance with the Standard of GRAP on Financial Instruments (GRAP 104) as if the requirements of GRAP 34 had always been effective. The investment entity shall, in accordance with GRAP 3, retrospectively adjust the opening balance of accumulated surplus or deficit for the earliest period presented and adjust other comparative amounts disclosed for each period presented. The adjustment to the accumulated surplus or deficit shall be the difference between:

(a) the previous carrying amount of the controlling entity's investment in the controlled entity; and

(b) the fair value of the controlling entity's investment in the controlled entity.

.71E On the initial adoption of GRAP 34, the controlling entity that is an investment entity that previously measured its investment in a controlled entity at fair value, shall continue to measure that investment at fair value in accordance with GRAP 104.

.71F An investment entity shall not make adjustments to the previous accounting for its investment in a controlled entity that it had previously elected to measure at fair value in accordance with GRAP 104, as permitted in paragraph .10 of GRAP 34.

.71G If measuring the investment in the controlled entity in accordance with paragraphs .71D to .71F is impracticable (as defined in GRAP 3), an investment entity shall apply the requirements of GRAP 34 at the beginning of the earliest period for which application of paragraphs .71D to .71F is practicable, which may be the current period. The investment entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. When the date that it is practicable for the investment entity to measure the fair value of its investment in a controlled entity is earlier than the annual period immediately preceding the date of initial adoption, the investment entity shall adjust accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption for any difference between:

(a) the previous carrying amount of the controlling entity's investment in the controlled entity; and

(b) the fair value of the controlling entity's investment in the controlled entity.

If the earliest period for which application of this paragraph is practicable is the current period, the adjustment to accumulated surplus or deficit shall be recognised at the beginning of the current period.

.71H If an investment entity has disposed of, or lost control of its investment in a controlled entity before the adoption of GRAP 34, the investment entity is not required to make adjustments to the previous accounting for that investment.

.71I The transitional provisions for changes in the accounting, in an entity's separate financial statements, for its interest in a joint operation are set out in the Standard of GRAP on Joint Arrangements (GRAP 37).

GRAP 35 *Consolidated Financial Statements*

Transitional provisions

.71J All changes resulting from the application of the Standard of GRAP on Consolidated Financial Statements (GRAP 35) shall be accounted for in accordance with the requirements of GRAP 3, except as specified in paragraphs .71L to .71V.

.71K When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

.71L Notwithstanding the requirements of paragraph .30 of GRAP 3, when GRAP 35 is first applied an entity need only present the quantitative information required by paragraph .30(f) of GRAP 3 for the annual period immediately preceding the date of the initial adoption of GRAP 35. An entity may also present this information for the current period or for the comparative period, but is not required to do so.

.71M On the initial adoption of GRAP 35, an entity is not required to make adjustments to the previous accounting for its involvement with either:

(a) entities that would be consolidated at that date in accordance with GRAP 6, and the Interpretation of the Standards of GRAP on Consolidation – Special Purpose Entities (IGRAP 11), and are still consolidated in accordance with GRAP 35; or

(b) entities that would not be consolidated at that date in accordance with GRAP 6 and IGRAP 11, and are not consolidated in accordance with GRAP 35.

.71N On the initial adoption of GRAP 35, an entity shall assess whether it is an investment entity on the basis of the facts and circumstances that exist at that date. If, at the date of initial adoption, an entity concludes that it is an investment entity, it shall apply the requirements of paragraphs .71O to .71Q instead of paragraphs .71U and .71V.

.71O Except for a controlled entity that is consolidated in accordance with paragraph .58 of GRAP 35 (to which paragraph .71M or paragraphs .71U and .71V apply, whichever is relevant), an investment entity shall measure its investment in each controlled entity at fair value as if the requirements of GRAP 35 had always been effective. The investment entity shall, in accordance with GRAP 3, retrospectively adjust the opening balance of accumulated surplus or deficit for the earliest period presented and adjust other comparative amounts disclosed for each period presented. The adjustment to the accumulated surplus or deficit shall be the difference between:

(a) the previous carrying amount of the controlling entity's investment in the controlled entity; and

(b) the fair value of the controlling entity's investment in the controlled entity.

.71P If measuring an investment in a controlled entity in accordance with paragraph .71O is impracticable (as defined in GRAP 3), an investment entity shall apply the requirements of GRAP 35 at the beginning of the earliest period for which application of paragraph .71O is practicable, which may be the current period. The investment entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. If this is the case, the adjustment to accumulated surplus or deficit shall be recognised at the beginning of the current period.

.71Q If an investment entity has disposed of, or has lost control of, an investment in a controlled entity before the date of initial adoption of GRAP 35, the investment entity is not required to make adjustments to the previous accounting for that investment.

.71R If an entity concludes on initial adoption of GRAP 35 that it shall consolidate another entity that was not consolidated in accordance with GRAP 6 or IGRAP 11, the entity shall:

(a) if the entity is a function (as defined in the Standards of GRAP on Transfer of Functions Between Entities Under Common Control (GRAP 105) or Transfer of Functions Between Entities Not Under Common Control (GRAP 106)), measure the assets, liabilities and non-controlling interests in that previously unconsolidated entity as if that other entity had been consolidated (and thus had applied the accounting requirements in GRAP 105 or GRAP 106) from the date when the entity obtained control of that other entity on the basis of the requirements of GRAP 35. The entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption. When the date that control was obtained is earlier than the annual period immediately preceding the date of initial adoption, the entity shall recognise, as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, any difference between:

(i) the amount of assets, liabilities and non-controlling interests recognised; and

(ii) the previous carrying amount of the entity's involvement with the other entity; or

(b) if the entity is not a function, apply the requirements in GRAP 105 or GRAP 106 to measure the assets, liabilities and non-controlling interests in

that previously unconsolidated entity as if that other entity had been consolidated, but in the case of GRAP 106, without recognising the excess of the purchase consideration paid over the net assets from the date when the entity obtained control of that other entity on the basis of the requirements of GRAP 35. The entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption. When the date that control was obtained is earlier than the annual period immediately preceding the date of initial adoption, the entity shall recognise, as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, any difference between:

(i) the amount of assets, liabilities and non-controlling interests recognised; and

(ii) the previous carrying amount of the entity's involvement with the other entity.

.71S If measuring a controlled entity's assets, liabilities and non-controlling interests in accordance with paragraphs .71R(a) or (b) is impracticable (as defined in GRAP 3), an entity shall:

(a) if the entity is a function, apply the requirements in GRAP 105 or GRAP 106 to measure the assets, liabilities and non-controlling interests in that previously unconsolidated entity as if that entity had been consolidated from the deemed acquisition date. The deemed acquisition date shall be the beginning of the earliest period for which the application of this paragraph is practicable, which may be the current period; or

(b) if the entity is not a function, apply the requirements in GRAP 105 or GRAP 106 to measure the assets, liabilities and non-controlling interests in that previously unconsolidated entity as if that entity had been consolidated from the deemed acquisition date, but, in the case of GRAP 106, without recognising the excess of the purchase consideration paid over the net assets. The deemed acquisition date shall be the beginning of the earliest period for which the application of this paragraph is practicable, which may be the current period.

.71T The entity shall adjust retrospectively the annual period immediately preceding the date of initial adoption, unless the beginning of the earliest period for which the application of this paragraph is practicable is the current period. When the deemed acquisition date is earlier than the annual period immediately preceding the date of initial adoption, the entity shall recognise, as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, any difference between:

(a) the amount of assets, liabilities and non-controlling interests recognised; and

(b) the previous carrying amounts of the entity's involvement with the other entity.

If the earliest period for which application of this paragraph is practicable is the current period, the adjustment to accumulated surplus or deficit shall be recognised at the beginning of the current period.

.71U If an entity concludes on initial adoption of GRAP 35 that it will no longer consolidate an entity that was consolidated in accordance with GRAP 6 or IGRAP 11, the entity shall measure its interest in the other entity at the amount at which it would have been measured if the requirements of GRAP 35 had been effective when the entity became involved with, or lost control of, the other entity. The entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption. When the date that the entity became involved with (but did not obtain control in accordance with GRAP 35), or lost control of, the other entity is earlier than the annual period immediately preceding the date of initial adoption, the entity shall recognise, as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, any difference between:

(a) the previous carrying amount of the assets, liabilities and non-controlling interests; and

(b) the recognised amount of the entity's interest in the other entity.

.71V If measuring the interest in the other entity in accordance with paragraph .71U is impracticable (as defined in GRAP 3), an entity shall apply the requirements of GRAP 35 at the beginning of the earliest period for which application of paragraph .71U is practicable, which may be the current period. The entity shall retrospectively adjust the annual period immediately preceding the date of initial adoption, unless the beginning of the earliest period for which application of this paragraph is practicable is the current period. When the date that the entity became involved with (but did not obtain control in accordance with GRAP 35), or lost control of, the other entity is earlier than the annual period immediately preceding the date of initial adoption, the entity shall recognise, as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, any difference between:

(a) the previous carrying amount of the assets, liabilities and non-controlling interests; and

(b) the recognised amount of the entity's interest in the other entity.

If the earliest period for which application of this paragraph is practicable is the current period, the adjustment to accumulated surplus or deficit shall be recognised at the beginning of the current period.

GRAP 36 *Investments in Associates and Joint Ventures*

Transitional provisions

.71W The transitional provisions for changing from proportionate consolidation to the equity method, or from the equity method to accounting for assets and liabilities in respect of a joint operation are set out in GRAP 37.

GRAP 37 *Joint Arrangements*

Transitional provisions

.71X Notwithstanding the requirements of paragraph .30 of GRAP 3, when GRAP 37 is first applied an entity need only present the quantitative information required by paragraph .30(f) of GRAP 3 for the annual period immediately preceding the date of the initial adoption of GRAP 37. An entity may also present this information for the current period or for the comparative period, but is not required to do so.

Joint ventures – Transition from proportionate consolidation to the equity method

.71Y When changing from proportionate consolidation to the equity method, an entity shall recognise its investment in the joint venture for the annual period immediately preceding the date of initial adoption. That initial investment shall be measured as the aggregate of the carrying amounts of the assets and liabilities that the entity had previously proportionately consolidated.

.71Z The opening balance of the investment determined in accordance with paragraph .71Y is regarded as the deemed cost of the investment at initial recognition. An entity shall apply paragraphs .41 to .46 of GRAP 36 to the opening balance of the investment to assess whether the investment is impaired and shall recognise any impairment loss as an adjustment to accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption.

.71Aa The initial recognition exception in paragraphs .15 and .24 of the IAS Standard on Income Taxes (IAS 12) does not apply when the entity recognises an investment in a joint venture resulting from applying the transitional requirements for joint ventures that had previously been proportionately consolidated.

.71Ab If aggregating all previously proportionately consolidated assets and liabilities results in negative net assets, an entity shall assess whether it has legal or constructive obligations in relation to the negative net assets and, if so, the entity shall recognise the corresponding liability. If the entity concludes that it does not have legal or constructive obligations in relation to the negative net assets, it shall not recognise the corresponding liability, but it shall adjust accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption. The entity shall disclose this fact, along with its cumulative unrecognised share of losses of its joint ventures for the annual period immediately preceding the date of initial adoption and at the date at which GRAP 37 is first applied.

.71Ac An entity shall disclose a breakdown of the assets and liabilities that have been aggregated into the single line investment balance for the annual period

immediately preceding the date of initial adoption. That disclosure shall be prepared in an aggregated manner for all joint ventures for which an entity applies the transition requirements referred to in paragraphs .71Y to .71Ad.

.71Ad After initial recognition, an entity shall account for its investment in the joint venture using the equity method in accordance with GRAP 36.

Joint operations – Transition from the equity method to accounting for assets and liabilities

.71Ae When changing from the equity method to account for assets and liabilities in respect of its interest in a joint operation, an entity shall, for the annual period immediately preceding the date of initial adoption, derecognise the investment that was previously accounted for using the equity method and any other items that formed part of the entity's net investment in the arrangement in accordance with paragraph .39 of GRAP 36 and recognise its share of each of the assets and the liabilities in respect of its interest in the joint operation.

.71Af An entity shall determine its interest in the assets and liabilities relating to the joint operation on the basis of its rights and obligations in a specified proportion in accordance with the binding arrangement. An entity measures the initial carrying amounts of the assets and liabilities by disaggregating them from the carrying amount of the investment for the annual period immediately preceding the date of initial adoption on the basis of the information used by the entity in applying the equity method.

.71Ag Any difference arising from the investment previously accounted for using the equity method together with any other items that formed part of the entity's net investment in the arrangement in accordance with paragraph .36 of GRAP 36 and the net amount of the assets and liabilities recognised shall be adjusted against accumulated surplus or deficit for the annual period immediately preceding the date of initial adoption, if the net amount of the assets and liabilities recognised is higher, or lower, than the investment (and any other items that formed part of the entity's net investment) derecognised.

.71Ah An entity changing from the equity method to account for assets and liabilities shall provide a reconciliation between the investment derecognised, and the assets and liabilities recognised, together with any remaining difference adjusted against accumulated surplus or deficit, for the annual period immediately preceding the date of initial adoption.

.71Ai The initial recognition exception in paragraphs .15 and .24 of IAS 12 does not apply when the entity recognises assets and liabilities relating to its interest in a joint operation.

Accounting for acquisitions of interests in joint operations

.71Aj ***An entity shall prospectively apply the requirements in paragraph .23 of GRAP 37 when it acquires an interest in a joint operation in which the activity of the joint operation constitutes a function as defined in GRAP 105 or GRAP 106. Amounts recognised for acquisitions of interests in joint operations occurring in prior periods shall not be adjusted.***

Transitional provisions in an entity's separate financial statements

.71Ak ***An entity that previously accounted for an investment in a joint operation in its separate financial statements in accordance with GRAP 104, as required by paragraph .59 of GRAP 6, shall:***

(a) derecognise the investment and recognise the assets and the liabilities in respect of its interest in the joint operation at the amounts determined in accordance with paragraphs .71Ae to .71Ai; and

(b) provide a reconciliation between the investment derecognised, and the assets and liabilities recognised, together with any remaining difference adjusted in accumulated surplus or deficit, for the annual period immediately preceding the date of initial adoption.

.71Al ***The initial recognition exception in paragraphs .15 and .24 of IAS 12 does not apply when the entity recognises assets and liabilities relating to its interest in a joint operation in its separate financial statements resulting from applying the transitional requirements for joint operations in paragraph .71Ak.***

GRAP 100 *Discontinued Operations*

Transitional provisions

.72 The provisions of the Standard of GRAP on Discontinued Operations (GRAP 100) shall be applied prospectively.

GRAP 103 *Heritage Assets*

Transitional provisions

.73 All changes resulting from the application of the Standard of GRAP on Heritage Assets (GRAP 103) shall be accounted for in accordance with the requirements of GRAP 3.

.74 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

.75 Entities are not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of GRAP 103 subject to the provisions in paragraph .76 below.

.76 If the initial accounting for heritage assets is incomplete by the end of a reporting period in which the Standard becomes effective, the entity shall report in its financial statements provisional amounts for those heritage assets for which the accounting is incomplete. During the measurement period, the entity shall retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the effective date of the Standard in accordance with paragraph .75, and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the entity shall also recognise additional heritage assets if information is obtained about the existence of those heritage assets at the effective date of the Standard, and, if it had been known, would have resulted in the recognition of those heritage assets at that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed at the effective date of the Standard, or learns that no more information is obtainable. However, the measurement period shall not exceed three years from the effective date of the Standard.

.77 The exemption from applying the measurement requirements of GRAP 103 implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in accordance with the requirements of GRAP 103.

.78 Until such time as the transitional provisions in paragraphs .75 to .76 expire, entities need not comply with:

- ***GRAP 1;***
- ***GRAP 4;***
- ***GRAP 13;***
- ***GRAP 18; and***

- ***GRAP 100***

to the extent that these Standards prescribe requirements for heritage assets.

.79 Notwithstanding the transitional provisions, entities are encouraged to comply in full with the provisions of GRAP 103 as soon as possible.

GRAP 104 *Financial Instruments*

Transitional provisions

General

.80 All changes resulting from the application of GRAP 104 shall be accounted for retrospectively in accordance with the requirements of GRAP 3, except for those changes specified in paragraphs .81 and .82.

.81 GRAP 104 shall not be applied to financial assets, financial liabilities and residual interests that have already been derecognised at the date of initial adoption.

.82 An entity shall apply the derecognition requirements in paragraphs .65 to .79 of the Standard relating to financial assets prospectively. Accordingly:

(a) If an entity previously derecognised financial assets and those assets would not have been derecognised under this Standard, it shall not recognise those assets.

(b) An entity should assess whether any financial assets recognised at the date of initially adopting this Standard, qualify for derecognition using the requirements of this Standard.

.83 On initial adoption of this Standard the cumulative balance of any gains and losses on financial instruments recognised outside of surplus or deficit in previous reporting periods shall be:

(a) adjusted against accumulated surplus or deficit; and

(b) any related comparative amounts restated,

except those relating to gains and losses arising from the application of hedge accounting in accordance with IFRS® Accounting Standards.

.84 In accordance with GRAP 104, an entity may apply hedge accounting in accordance with the IFRS Accounting Standards. Where an entity applied hedge accounting in accordance with the IFRS Accounting Standards prior to adopting this Standard and continues to apply such hedge accounting after adoption, it does not recognise the cumulative gains and losses recognised outside surplus or deficit, in accumulated surplus or deficit. Instead, it will apply the requirements of the IFRS Accounting Standards to those gains and losses.

Scope

.85 On the initial adoption of this Standard, an entity shall:

(a) derecognise any previously recognised loan commitments and financial guarantee contracts which are excluded from the scope of the Standard in paragraphs .03(e) and (f); and

(b) assess whether such loan commitments or financial guarantee contracts should be recognised and/or disclosed in accordance with GRAP 19.

Categories of financial assets and financial liabilities

.86 At the date of initial adoption, an entity may designate a financial asset or a financial liability at fair value in accordance with paragraph .17 of the Standard. Such a designation shall be made on the basis of the facts and circumstances that exist at the date of adoption. That classification shall be applied retrospectively.

.87 At the date of initial adoption, an entity:

(a) shall revoke its previous designation of a financial liability measured at fair value if that financial liability does not meet the circumstances in paragraph .17 of the Standard; and

(b) may revoke its previous designation of a financial asset or a financial liability at fair value, even if the circumstances in paragraph .17 of the Standard are met.

Such a revocation shall be made on the basis of the facts and circumstances that exist at the date of initial adoption. That classification shall be applied retrospectively.

.88 As a result of adopting this Standard, an entity may be required, or in accordance with paragraph .83, elect to measure a financial asset or financial liability at amortised cost instead of fair value. The entity shall treat the fair value of the financial asset or financial liability at the end of each comparative period as its amortised cost. In those circumstances, the fair value of the financial asset or the financial liability at the date of initial adoption shall be the amortised cost of that financial asset or financial liability at the date of adopting this Standard.

GRAP 105 ***Transfer of Functions Between Entities Under Common Control***

Transitional provisions

.89 The requirements in GRAP 105 shall be applied prospectively to a transaction or event that involves a transfer of functions when the transfer date is on or after the initial adoption of the Standard. The transitional provisions should be read in conjunction with the requirements on the measurement period as included in paragraphs .40 to .45 of the Standard.

.90 GRAP 105 only applies to a transfer of functions that occurs after the initial adoption of the Standard. Assets acquired and liabilities assumed as a result of a transfer of functions where the transfer date preceded the adoption of the Standard, should not be adjusted upon initial adoption of the Standard.

GRAP 106 *Transfer of Functions Between Entities Not Under Common Control*

Transitional provisions

.91 The requirements in GRAP 106 shall be applied prospectively to a transaction or event that involves a transfer of functions when the acquisition date is on or after the initial adoption of the Standard. The transitional provisions should be read in conjunction with the requirements on the measurement period as included in paragraphs .71 to .76 of the Standard.

.92 GRAP 106 only applies to a transfer of functions that occurs after the initial adoption of the Standard. Assets acquired and liabilities assumed as a result of a transfer of functions where the acquisition date preceded the adoption of the Standard, should not be adjusted upon initial adoption of the Standard.

.93 On the initial adoption of the Standard, the opening balance of any recognised goodwill, that arose from a transfer of functions where the acquisition date preceded the adoption of GRAP 106, should be recognised against accumulated surplus or deficit for the earliest period presented.

GRAP 107 *Mergers*

Transitional provisions

.94 The requirements in the Standard of GRAP on Mergers (GRAP 107) shall be applied prospectively to a transaction or event that involves a merger when the merger date is on or after the initial adoption of the Standard. The transitional provisions should be read in conjunction with the requirements on the measurement period as included in paragraphs .24 to .29 of the Standard.

.95 GRAP 107 only applies to a merger that occurs after the initial adoption of the Standard. Assets acquired and liabilities assumed as a result of a merger where the merger date preceded the adoption of the Standard, should not be adjusted upon initial adoption of the Standard.

GRAP 108 *Statutory Receivables*

.96 All changes resulting from the application of the Standard of GRAP on Statutory Receivables (GRAP 108) shall be accounted for retrospectively in accordance with the requirements of GRAP 3, except for those changes specified in paragraphs .98 and .99.

.97 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively.

Relief from retrospective application

.98 An entity shall apply the derecognition requirements in paragraphs .07 to .09 of the Standard prospectively. Accordingly, if an entity previously derecognised statutory receivables and those receivables would not have been derecognised under this Standard, it shall not recognise those receivables.

.99 An entity shall apply the impairment requirements in paragraphs .16 to .29 of the Standard prospectively from the effective date of the Standard.

Transitional period

.100 Entities are not required to change their accounting policies in respect of the classification and measurement of statutory receivables for reporting periods beginning on a date within three years following the date of first adoption of GRAP 108. Entities shall comply with the disclosure requirements of GRAP 108 as and when statutory receivables are classified and measured in accordance with the Standard of GRAP.

.101 When an entity takes advantage of the transitional provisions in paragraph .100, that fact shall be disclosed in the annual financial statements. The entity shall also disclose which statutory receivables are classified and measured in accordance with GRAP 108, which have been classified and measured under an accounting policy that is not consistent with the requirements of GRAP 108, and the entity's progress towards implementation of accounting policies that are consistent with GRAP 108. The entity shall disclose its plan for implementing accounting policies that are consistent with GRAP 108.

.102 When an entity takes advantage of the transitional provisions for a second or subsequent reporting period, details of the statutory receivables previously classified and measured on another basis, but which are now classified and measured in accordance with GRAP 108, shall be disclosed.

.103 The transitional provisions are intended to allow entities a period to classify and measure statutory receivables in accordance with GRAP 108. Entities may continue to apply their previous accounting policies for classifying and measuring statutory receivables that do not comply with the provisions of GRAP 108.

GRAP 109 *Accounting by Principals and Agents*

Transitional provisions

.104 Changes resulting from the application of the Standard of GRAP on Accounting by Principals and Agents (GRAP 109) shall be accounted for in accordance with the requirements of GRAP 3.

.105 An entity is however not required to retrospectively restate transactions arising from principal-agent arrangements that were completed on or before the effective date of the Standard.

.106 When an entity initially adopts a Standard of GRAP, GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively. An entity need not apply the requirements of GRAP 109 retrospectively to transactions arising from principal-agent arrangements that were completed on or before the effective date of the Standard. A completed principal-agent arrangement is an arrangement in which all transactions that are the subject of the arrangement have been undertaken.

GRAP 110 *Living and Non-living Resources*

Transitional provisions

.107 The Standard of GRAP on Living and Non-living Resources (GRAP 110) is applied to living resources that are controlled by the entity on the effective date of the Standard. All changes resulting from the application of GRAP 110 shall be accounted for in accordance with the requirements of GRAP 3.

.108 GRAP 3 requires an entity to apply the requirements of the Standard being adopted retrospectively. The entity only applies GRAP 110 to those living resources that it controls on the effective date of the Standard. An entity applies GRAP 110 retrospectively to these living resources by adjusting the opening balance of the affected component of net assets for the earliest period presented and the other comparative amounts disclosed.

.109 Entities are not required to recognise and/or measure living resources for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP subject to the provisions in paragraph .110.

.110 If the initial accounting for living resources is incomplete by the end of the reporting period in which the Standard becomes effective, the entity shall report in its financial statements provisional amounts for any recognised living resources for which the accounting is incomplete. During the transitional period, the entity shall retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the effective date of the Standard, and, if known, would have affected the measurement of the amounts recognised as of that date. During the transitional period, the entity shall also recognise additional living resources if information is obtained about the existence of those living resources at the effective date of the Standard, and, if it had been known, would have resulted in the recognition of those living resources at that date. The transitional period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed at the effective date of the Standard, or learns that no more information is obtainable. However, the transitional period shall not exceed three years from the effective date of the Standard.

.111 Applying the transitional period in paragraph .110 implies that any associated presentation and disclosure requirements need not be complied with for living resources not recognised and/or measured in accordance with the requirements of GRAP 110.

.112 ***Where an entity has taken advantage of the transitional period in paragraph .110, the entity shall disclose the following until such time as the transitional period expires:***

(a) the extent to which it has taken advantage of the transitional period for measuring living resources;

(b) progress made towards recognising, measuring, presenting and disclosing living resources in accordance with GRAP 110;

(c) living resources that have been recognised and/or measured under an accounting policy that is not consistent with the requirements of GRAP 110;

(d) living resources that have not been recognised, measured, presented and/or disclosed in the previous reporting period, but which are now recognised, measured and/or presented and/or disclosed;

(e) the nature and amount of any adjustments recognised in the statement of changes in net assets during the reporting period; and

(f) an indication of how the entity intends to comply in full with the requirements of GRAP 110.

.113 ***Until such time as the transitional provisions in paragraphs .107 to .112 expire, entities need not comply with:***

- ***GRAP 1;***
- ***GRAP 4;***
- ***GRAP 13;***
- ***GRAP 18; and***
- ***GRAP 100***

to the extent that these Standards prescribe requirements for living resources.

.114 Notwithstanding the transitional provisions, entities are encouraged to comply in full with the provisions of GRAP 110 as soon as possible.