

FEEDBACK STATEMENT – ED 201 ON *IMPROVEMENTS TO THE STANDARDS OF GRAP, 2023*

This Feedback Statement outlines feedback received on the proposed *Improvements to the Standards of GRAP, 2023* (ED 201)

Overview

This Feedback Statement outlines feedback received by the Accounting Standards Board (“the Board”) on ED 201 on *Improvements to the Standards of GRAP, 2023*. It also outlines the decisions taken by the Board prior to approving the improvements.

Consultation process

The Board undertook a public consultation process with users of financial statements, preparers, auditors, consultants and other interested parties. Articles on ED 201 were published on various ASB social media platforms.

Supporting material

- The Board’s analysis of the written and verbal comments received on ED 201, along with its responses thereto.
 - *Improvements to the Standards of GRAP, 2023*.
- These materials can be accessed on the [ASB’s website](#).

Next steps

The Board will propose an effective date of 1 April 2025 to the Minister of Finance for the improvements.

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What we heard and how we responded	
General support for the improvements	Respondents welcomed, and generally supported, the amendments and additional guidance to the Standards of GRAP.
GRAP 24 on <i>Presentation of Budget Information in Financial Statements</i>	
Amendments	<p>The amendments include:</p> <ul style="list-style-type: none"> Clarifying that an entity’s budget should be “publicly available” and the entity should be “publicly accountable” for that budget for GRAP 24 to apply. These terms have been further explained. The added paragraph .05A explains that an entity is held publicly accountable for its budget when there is an expectation of public oversight in approving and monitoring its budget. The public oversight must be exercised by the relevant authority who approves its budget - being Parliament, a legislature or municipal council. Adding guidance on how to present the “Reconciliation of actual amounts on a comparable basis to the actual amounts in the financial statements”. The improvement simplifies the disclosures by not prescribing the line items to reconcile.
Issues raised: What constitutes the approved budget	<p>Some respondents understood that the Estimates of Provincial Revenue and Expenditure is the approved budget.</p> <p>The approved budget means the expenditure authority derived from laws, appropriation bills, regulations and other decisions related to the anticipated revenue or receipts for the budgetary period. An approved budget is not a forward estimate or a projection based on assumptions about future events and possible management actions that may not necessarily take place. An approved budget differs from prospective financial information, which may be in the form of a forecast, a projection or a combination of both. An entity is ultimately held accountable for what is in its approved budget.</p> <p>The Board agreed that the Estimates of Provincial Revenue and Expenditure is not the instrument that gives rise to the approved budget. This and other useful amendments will be made to the Fact Sheet on GRAP 24 once the improvements project is complete.</p>

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What we heard and how we responded

Issues raised: Variability in the application of GRAP 24

Respondents noted that few public entities are required to apply GRAP 24 as many public entities are not publicly accountable for their budget in terms of GRAP 24. They were concerned that users find the presentation of a Statement of Comparison of Budget and Actual Amounts useful, but do not receive the information when public entities are not required to apply GRAP 24.

The Board understood that this will result in a lack of comparability from one public entity to another. The lack of comparability is due to the budget process not being well-defined for public entities. This means not all public entities are in the scope of the Standard and there might be public entities that voluntarily apply GRAP 24. The Board agreed that this should be discussed with the National Treasury.

While it was noted that there is accountability for an entity's budget to their relevant authority, respondents were further concerned that an entity's accountability for its budget is not always visible to the general public.

The Board agreed that this is not a matter the Standard can address and the matter should be raised with the National Treasury.

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Summary of other changes	
Standard of GRAP	Amendments
<i>No concerns were raised by respondents for these changes.</i>	
GRAP 1 – <i>Presentation of Financial Statements</i>	GRAP 1 currently refers to the disclosure of significant accounting policies. The Standards of GRAP do not define the term “significant”, while the term “material” is defined and understood by users. The improvement replaces references to “significant” accounting policies with “material” accounting policies.
GRAP 1 – <i>Presentation of Financial Statements</i> GRAP 2 – <i>Cash Flow Statements</i> GRAP 13 – <i>Leases</i> GRAP 19 - <i>Provisions, Contingent Liabilities and Contingent Assets</i> GRAP 23 – <i>Revenue from Non-exchange Transactions</i> GRAP 27 – <i>Agriculture</i> GRAP 31 – <i>Intangible Assets</i> GRAP 104 – <i>Financial Instruments (2019)</i>	Encouraged disclosures were identified in these Standards. Each encouraged disclosure was assessed for usefulness and the disclosures that provided limited value to users were deleted.

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Summary of other changes

Standard of GRAP	Amendments
GRAP 3 – <i>Accounting policies, Changes in Accounting Estimates and Errors</i>	<p>The amendments include the following:</p> <ul style="list-style-type: none"> GRAP 3 requires an entity to disclose information on the GRAP Standards issued but not yet effective. The improvement clarifies that the requirements to disclose Standards issued but not yet effective only apply to Standards of GRAP where the Minister of Finance has determined an effective date. The current definition of a “change in accounting estimate” is not sufficiently clear. The definition is removed and a new definition of an accounting estimate is included.
GRAP 5 – <i>Borrowing Costs</i> GRAP 24 – <i>Presentation of Budget Information in Financial Statements</i>	<p>The improvements added Illustrative examples to GRAP 5 and GRAP 24.</p> <ul style="list-style-type: none"> The illustrative examples to GRAP 5 outline different scenarios illustrating the calculation of borrowing costs. The illustrative examples to GRAP 24 illustrate the presentation and disclosure requirements in GRAP 24.
GRAP 17 – <i>Property, Plant and Equipment</i>	<p>The amendment prohibits proceeds from selling items produced before that asset is available to be deducted from the cost of property, plant and equipment. The amendment clarifies that an entity recognises the proceeds from selling any such items, and the cost of those items, in surplus or deficit in accordance with applicable Standards of GRAP.</p>

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Standard of GRAP	Amendments
GRAP 20 – <i>Related Party Disclosures</i> GRAP 31 – <i>Intangible Assets</i> <i>Guideline on the Application of Materiality to Financial Statements</i>	Minor amendments were made to align terminology to ensure consistent wording in the Standards of GRAP.
GRAP 104 – <i>Financial Instruments (2019)</i>	The amendments include: <ul style="list-style-type: none"> • To accommodate the change in the interest rate benchmark locally, amendments provide a practical expedient to not treat any changes in the contractual cash flows (as a result of the reform) as a modification. • Guidance is added on the fees to include when an entity applies the “10 percent” test to derecognise a financial liability.

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