

FEEDBACK STATEMENT – ED 204 PROPOSED REVISIONS TO THE STANDARDS OF GRAP ON TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL (GRAP 105), TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL (GRAP 106) AND MERGERS (GRAP 107)

<p>This Feedback Statement outlines feedback received on ED 204 and the Board’s responses thereto</p>	<p>Overview</p>	<p>This Feedback Statement outlines feedback received by the Accounting Standards Board (the Board) on ED 204 and the Board’s responses thereto.</p> <p>ED 204 included revisions to GRAP 105, GRAP 106 and GRAP 107 (the local Standards) from the International Public Sector Accounting Standard on <i>Public Sector Combinations</i> (IPSAS 40) and the IFRS Accounting Standard on <i>Business Combinations</i> (IFRS 3) that was issued after the publication of IPSAS 40.</p> <p>The Board’s decisions in approving the final revisions to the local Standards are also outlined in this Statement.</p>
	<p>Consultation process</p>	<p>The Board approved ED 204 in March 2023 with a comment due date of 15 July 2023.</p> <p>The Board followed a public consultation process in accordance with its Due Process Handbook that is available on the ASB website - [Due Process Handbook] – ASB</p>
	<p>Supporting material</p>	<p>The Executive Summary that summarises the revisions to the local Standards [ED 204 – ASB]</p> <p>The Board’s analysis of the verbal comment received on ED 204, along with the responses thereto. Revised GRAP 105, GRAP 106 and GRAP 107.</p> <p>These materials can be accessed on the ASB’s website [Approved and Not Yet Effective – ASB].</p>
	<p>Next steps</p>	<p>The Board proposes an effective date of 1 April 2026 to the Minister of Finance.</p>

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What we heard	
General support	Respondents generally supported the revisions proposed to the local Standards.
Guidance from IFRS 3	Respondents supported the new guidance included from IFRS 3, and indicated the application guidance and illustrative examples are helpful to assess if the definition of a function is met. The Board agreed to retain the new guidance.
Treatment of “goodwill” in GRAP 106	Respondents agreed with the Board’s conclusion to continue recognising the excess of the purchase consideration (if any) over the fair value of the assets acquired or received, the liabilities assumed and any non-controlling interests in surplus and deficit. Therefore, no change was made.
Retaining a measurement period of two years	<p>IPSAS 40 allows for a measurement period of one year. The majority of the respondents supported retaining a measurement period of two years in the local Standards, with some respondents requesting the Board to extend the measurement period to three years. These respondents noted that not all entities have the necessary skills to identify the assets to be transferred and/or liabilities to be relinquished within the allowed time period. As a result, more time is needed to account for a transfer of functions or merger.</p> <p>The Board concluded that the two year period is sufficient and a longer period may significantly impair the relevance and timeliness of information presented on a transfer of functions or a merger. Therefore no change was made.</p>
Three separate Standards of GRAP with specific accounting methods	<p>Respondents supported the Board retaining the guidance on transfers of functions and mergers as three separate Standards of GRAP, along with the accounting methods applied in each Standard.</p> <p>No change was therefore made to the format or accounting methods applied in the local Standards.</p>

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What we heard	
<p>The value at which assets acquired or received and/or liabilities assumed should be recognised</p>	<p>GRAP 105 and GRAP 107 require that assets acquired or received and/or liabilities assumed in a transfer of functions and merger be recognised at their carrying amounts on the transfer or merger date.</p> <p>Some stakeholders questioned the meaning of “carrying amount” as different practices are applied. These stakeholders questioned whether the financial statements of the acquirer and combined entity should reflect an asset’s:</p> <ul style="list-style-type: none"> (a) carrying amount only (i.e. cost less accumulated depreciation and accumulated impairment losses as a single amount, referred to as “the net amount”); or (b) cost, accumulated depreciation and accumulated impairment losses separately (referred to as “gross amounts”). <p>The Board clarified GRAP 105 and GRAP 107 to require that any assets acquired or received and/or liabilities assumed be recognised at gross amounts. This will ensure that entities apply the principles consistently.</p>
<p>Practical application issues</p>	<p>Respondents raised a number of practical application issues. The Board agreed that guidance should be provided through Frequently Asked Questions to address:</p> <ul style="list-style-type: none"> • What assets should be recognised by an acquirer in a transfer of functions not under common control? • What is the difference between transitional provisions and the measurement period?
Transitional provisions	
<p>Transitional provisions</p>	<p>The revisions to the local Standards of GRAP are applied prospectively to a transfer of functions or merger that occurs after the adoption of the revised Standards.</p>
How to access information	

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