

GRAP 104 Q&As – Measurement including impairment

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Based on Standards of GRAP
effective 1 April 2026



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Measurement, including impairment

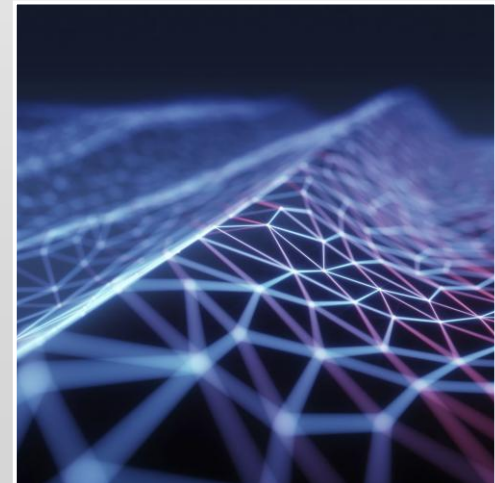


Does the calculation of expected credit losses (ECL) involve statistical, mathematical and actuarial methods? If so, are accountants equipped with doing the calculations themselves?

- Factors that underpin the impairment assumptions may differ from one financial asset to another based on their nature and characteristics. This means the ECL calculation can be simple or complex.
- Entities apply judgement to determine whether an expert is required to perform the ECL calculation. The Standard does not require the use of experts.

What are examples of macro-economic factors and how should they be considered in obtaining forward-looking information to assess the credit risk of a financial asset for impairment?

- Macro-economic factors affecting the credit risk of a financial asset may include inflation, interest rates, unemployment rates and GDP growth rates.
- Not all macro-economic factors may be significant predictors of the risk of default for the financial asset. Apply judgement!



Measurement, including impairment



Explain "reduction of support" as an indicator of a significant increase in credit risk. Would this include, for example, when the National Treasury withholds an equitable share allocation?

- Reduction of support refers to support from controlling entities.
- GRAP 104 AG states that reductions in financial support from a controlling entity or other affiliate, that are expected to reduce the borrower's economic incentive to make scheduled contractual payments may be relevant in assessing changes in credit risk.

In the application of the ECL model, is it appropriate to develop a provision matrix based primarily on historical credit loss experience of debtors, and thereafter incorporate forward-looking information?

- The Standard is not prescriptive with respect to the order in which factors are considered in the ECL calculation.
- Where all relevant factors are considered using reasonable and supportable information about past events, current conditions and forecasts of future economic conditions (that is available without undue cost or effort), the requirements of the Standard will be met.



Measurement, including impairment



Should bank accounts that are classified at amortised cost be assessed for impairment?

- GRAP 104 requires that all financial assets classified at amortised cost are assessed for impairment. Assess bank accounts at the reporting date to determine whether there has been a significant increase in credit risk since initial recognition to determine the period over which expected credit losses are considered. Credit risk is also used to calculate any ECL.
- Credit risk associated to a bank account differs between banks. Tier 1 banks may have a low credit risk resulting in minimal/negligible ECL. Apply materiality and judgement!

Is there a need to consider the effect of discounting on trade receivables, especially in the municipal environment where repayment terms are usually 30 days?

- Consideration must be given to whether the repayment term is “consistent with terms used in the public sector” (either through established practices or legislation).
- Where the term granted is not consistent with the terms used in the public sector, i.e. it is not in line with practices or legislation; the effect of discounting is considered if it is material.





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