



ACCOUNTING STANDARDS BOARD

STANDARD OF GENERALLY RECOGNISED ACCOUNTING PRACTICE

REVENUE FROM NON-EXCHANGE TRANSACTIONS (TAXES AND TRANSFERS) (GRAP 23)

Acknowledgement

The Standard of Generally Recognised Accounting Practice (GRAP) on *Revenue from Non-exchange Transactions (Taxes and Transfers)* is based on the International Public Sector Accounting Standard (IPSAS) 23 on *Revenue from Non-exchange Transactions (Taxes and Transfers)* from the *Handbook of International Public Sector Accounting Pronouncements* of the International Public Sector Accounting Standards Board (IPSASB), published by the International Federation of Accountants (IFAC) and is used with the permission of the IFAC. *Handbook of International Public Sector Accounting Pronouncements* © by the International Federation of Accountants (IFAC). All rights reserved.

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REVENUE FROM NON-EXCHANGE TRANSACTIONS (TAXES AND TRANSFERS)

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

- Consequential amendments when the following Standard of GRAP became effective:
 - GRAP 104 *Financial Instruments*
- Improvements to the Standards of GRAP, issued by the Board in November 2013.
- Consequential amendments when the following Standards of GRAP became effective:
 - GRAP 105 *Transfers of Functions Between Entities Under Common Control*
 - GRAP 106 *Transfers of Functions Between Entities Not Under Common Control*
 - GRAP 107 *Mergers*
- Consequential amendments when the following Standards of GRAP became effective:
 - GRAP 108 *Statutory Receivables*
 - GRAP 109 *Accounting by Principals and Agents*
- Consequential amendments when the following Standard of GRAP became effective:
 - GRAP 35 *Consolidated Financial Statements*
- Consequential amendments from the amendments to GRAP 104 *Financial Instruments*, issued by the Board in April 2019.



Introduction

This pronouncement is set out in paragraphs .01 to .129. 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 Standard is to prescribe requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that involve a transfer of functions between entities under common control, not under common control or a merger. This Standard deals with issues that need to be considered in recognising and measuring revenue from non-exchange transactions, including the identification of contributions from owners.

Scope

- .02 ***An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for revenue from non-exchange transactions.***
- .03 ***This Standard shall not be applied to:***
- (a) ***a transfer of functions between entities under common control, not under common control or a merger that is a non-exchange transaction (see the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control or Mergers); or***
 - (b) ***non-exchange revenue arising from construction contracts (see the Standard of GRAP on Construction Contracts (GRAP 11)).***
- .04 This Standard addresses revenue arising from non-exchange transactions. Revenue arising from exchange transactions is addressed in the Standard of GRAP on *Revenue from Exchange Transactions* (GRAP 9). While revenues received by entities arise from exchange and non-exchange transactions, the majority of revenue of entities is typically derived from non-exchange transactions such as:
- (a) taxes; and
 - (b) transfers (whether cash or non-cash), including grants, debt forgiveness, fines, bequests, gifts, donations, goods and services in-kind, concessionary loans received and concessionary investments.
- .05 This Standard does not deal with revenues received by entities as a result of non-exchange transactions in construction contracts (see GRAP 11).

Definitions

- .06 ***The following terms are used in this Standard with the meanings specified:***
- A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.***

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

A **concessionary loan** is a loan granted to or received by an entity on terms that are not market related.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a similar binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The **taxable event** is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards.

Binding arrangements

.06A Binding arrangements can be evidenced in several ways:

- (a) a contract concluded between the parties;
- (b) legislation, supporting regulations or similar means including, but not limited to, laws, regulation, policies, decisions concluded by authorities such as cabinet, executive committees, boards, municipal councils and ministerial orders; or
- (c) through the operation of law, including common law.

A binding arrangement is often, but not always, in writing, in the form of a contract or documented discussions between the parties.

Non-exchange transactions

- .07 In some transactions it is clear that there is an exchange of approximately equal value. These are exchange transactions and are addressed in other relevant Standards of GRAP.
- .08 In other transactions an entity will receive resources and provide no or nominal consideration directly in return. These are clearly non-exchange transactions and are addressed in this Standard. For example, taxpayers pay income taxes because the Income Tax Act, Act No. 58 of 1962, mandates the payment of those taxes. Whilst the various spheres of government will provide a variety of public services to taxpayers, it does not do so in consideration for the payment of taxes.
- .09 There is a further group of non-exchange transactions where the entity may provide some consideration directly in return for the resources received, but that consideration does not approximate the fair value of the resources received. In these cases, the entity determines whether there is a combination of exchange and non-exchange transactions, each component of which is recognised separately. For example, an entity received R6 million funding from a multi-lateral development agency. The agreement stipulates that the entity must repay R5 million of the funding received over a period of 10 years, at 5% interest when the market rate for a similar loan is 11%. The entity has effectively received R1 million grant (R6 million received less R5 million to be repaid) and entered into a R5 million concessionary loan which attracts interest at 6% below the market interest rate for a similar loan. The R1 million grant received and the off-market portion of the interest payments in terms of the agreement are non-exchange transactions. The contractual capital and interest payments over the period of the loan are exchange transactions.

- .09A Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction, i.e. if the underlying transaction is a non-exchange transaction then any interest levied is also classified as non-exchange, while any interest levied on an exchange transaction is classified as exchange.
- .10 There are also additional transactions where it is not immediately clear whether they are exchange or non-exchange transactions. In these cases an examination of the substance of the transaction will determine if they are exchange or non-exchange transactions. In determining whether the substance of a transaction is that of a non-exchange or an exchange transaction, professional judgement is exercised. For example, the sale of goods is normally classified as an exchange transaction. If, however, the transaction is conducted at a subsidised price, that is, a price that is not approximately equal to the fair value of the goods sold, that transaction falls within the definition of a non-exchange transaction. In addition, entities may receive discounts, volume rebates, or other reductions in the quoted price of assets for a variety of reasons. These reductions in price do not necessarily mean that the transaction is a non-exchange transaction and should be treated in accordance with paragraph .16 of GRAP 9.

Revenue

- .11 Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners. Amounts collected as an agent of the government or other third parties will not give rise to an increase in net assets or revenue of the agent. An entity applies the principles in the Standard of GRAP on *Accounting by Principals and Agents* (GRAP 109) to determine when it is an agent or principal in a non-exchange revenue transaction.
- .12 Where an entity incurs some cost in relation to revenue arising from a non-exchange transaction, the revenue is the gross inflow of future economic benefits or service potential, and any outflow of resources is recognised as a cost of the transaction. For example, if an entity is required to pay delivery and installation costs in relation to the transfer of an item of plant to it from another entity, those costs are recognised separately from revenue arising from the transfer of the item of plant. Delivery and installation costs are included in the amount recognised as an asset, in accordance with the Standard of GRAP on *Property, Plant and Equipment* (GRAP 17).

Stipulations

- .13 Assets may be transferred with the expectation and/or understanding that they will be used in a particular way and, therefore, that the recipient entity will act or perform in a particular way. Where laws, regulations or similar binding arrangements with external parties impose terms on the use of transferred assets by the recipient, these terms are stipulations as defined in this Standard. A key feature of stipulations, as defined in this

Standard, is that an entity cannot impose a stipulation on itself, whether directly or through an entity that it controls.

- .14 Stipulations relating to a transferred asset may be either conditions or restrictions. While conditions and restrictions may require an entity to use or consume the future economic benefits or service potential embodied in an asset for a particular purpose (performance obligation) on initial recognition, only conditions require that future economic benefits or service potential be returned to the transferor in the event that the stipulation is breached (return obligation).
- .15 Stipulations are enforceable through legal or administrative processes. If a term in laws or regulations or similar binding arrangements is unenforceable, it is not a stipulation as defined by this Standard. Constructive obligations do not arise from stipulations. The Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets* (GRAP 19) establishes requirements for the recognition and measurement of constructive obligations.

Conditions on transferred assets

- .16 Conditions on transferred assets (hereafter referred to as “conditions”) require that the entity either consume the future economic benefits or service potential of the asset as specified or return future economic benefits or service potential to the transferor in the event that the conditions are breached. Therefore, the recipient incurs a present obligation to transfer future economic benefits or service potential to third parties when it initially gains control of an asset subject to a condition. This is because the recipient is unable to avoid the outflow of resources as it is required to consume the future economic benefits or service potential embodied in the transferred asset in the delivery of particular goods or services to third parties or else to return to the transferor future economic benefits or service potential. Therefore, when a recipient initially recognises an asset that is subject to a condition, the recipient also incurs a liability.
- .17 As an administrative convenience, a transferred asset, or other future economic benefits or service potential, may be effectively returned by deducting the amount to be returned from other assets due to be transferred for other purposes. The entity’s financial statements will still recognise the gross amounts in its financial statements, that is, the entity will recognise a reduction in assets and liabilities for the return of the asset under the terms of the breached condition, and will reflect the recognition of assets, liabilities and or revenue for the new transfer.

Restrictions on transferred assets

- .18 Restrictions on transferred assets (hereafter referred to as “restrictions”) do not include a requirement that the transferred asset, or other future economic benefits or service potential is to be returned to the transferor if the asset is not deployed as specified. Therefore, gaining control of an asset subject to a restriction does not impose on the recipient a present obligation to transfer future economic benefits or service potential to third parties when control of the asset is initially gained. Where a recipient is in

breach of a restriction, the transferor, or another party, may have the option of seeking a penalty against the recipient by, for example, taking the matter to a court or other tribunal, or through an administrative process such as a directive from a government minister or other authority, or otherwise. Such actions may result in the entity being directed to fulfil the restriction or face a civil or criminal penalty for defying the court, other tribunal or authority. Such a penalty is not incurred as a result of acquiring the asset, but as a result of breaching the restriction.

Substance over form

- .19 In determining whether a stipulation is a condition or a restriction, it is necessary to consider the substance of the terms of the stipulation and not merely its form. The mere specification that, for example, a transferred asset is required to be consumed in providing goods and services to third parties or be returned to the transferor is, in itself, not sufficient to give rise to a liability when the entity gains control of the asset.
- .20 In determining whether a stipulation is a condition or a restriction, the entity considers whether a requirement to return the asset or other future economic benefits or service potential is enforceable and would be enforced by the transferor. If the transferor could not enforce a requirement to return the asset or other future economic benefits or service potential, the stipulation fails to meet the definition of a condition and will be considered a restriction. If past experience with the transferor indicates that the transferor never enforces the requirement to return the transferred asset or other future economic benefits or service potential when breaches have occurred, then the recipient entity may conclude that the stipulation has the form but not the substance of a condition, and is, therefore, a restriction. If the entity has no experience with the transferor, or has not previously breached stipulations that would prompt the transferor to decide whether to enforce a return of the asset or other future economic benefits or service potential, and it has no evidence to the contrary, it would assume that the transferor would enforce the stipulation and, therefore, the stipulation meets the definition of a condition.
- .21 The definition of a condition imposes on the recipient entity a performance obligation – that is, the recipient is required to consume the future economic benefits or service potential embedded in the transferred asset as specified, or return the asset or other future economic benefits or service potential to the transferor. To satisfy the definition of a condition, the performance obligation will be one of substance not merely form, and is required as a consequence of the condition itself. A term in a transfer agreement that requires the entity to perform an action that it has no alternative but to perform may lead the entity to conclude that the term is in substance neither a condition nor a restriction. This is because in these cases, the terms of the transfer itself do not impose on the recipient entity a performance obligation.
- .22 To satisfy the criteria for recognition as a liability, it is necessary that an outflow of resources will be probable, and performance against the condition is required and is able to be assessed. Therefore, a condition will need to specify such matters as the

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nature or quantity of the goods and services to be provided or the nature of assets to be acquired as appropriate and, if relevant, the periods within which performance is to occur. In addition, performance will need to be monitored by, or on behalf of, the transferor on an on-going basis. This is particularly so where a stipulation provides for a proportionate return of the equivalent value of the asset if the entity partially performs the requirements of the condition, and the return obligation has been enforced if significant failures to perform have occurred in the past.

- .23 In some cases, an asset may be transferred subject to the stipulation that it be returned to the transferor if a specified future event does not occur. This may occur where, for example, the national government provides funds to a provincial government entity subject to the stipulation that the entity raise a matching contribution. In these cases, a return obligation does not arise until such time as it is expected that the stipulation will be breached and a liability is not recognised until the recognition criteria have been satisfied.
- .24 However, recipients will need to consider whether these transfers are in the nature of advance receipts. In this Standard, “advance receipt” refers to resources received prior to a taxable event or a transfer arrangement becoming binding. Advance receipts give rise to assets and present obligations because the transfer arrangement has not yet become binding. Where such transfers are in the nature of exchange transactions, they will be dealt with in accordance with GRAP 9.

Taxes

- .25 Taxes are the major source of revenue for government and other entities. Taxes are defined in paragraph .07 as economic benefits compulsorily paid or payable to entities, in accordance with laws or regulation, established to provide revenue to government, excluding fines or other penalties imposed for breaches of laws or regulations. Non-compulsory transfers to government or other entities, such as donations and the payment of fees, are not taxes, although they may be the result of non-exchange transactions. Government levies taxation on individuals and other entities, known as taxpayers.
- .26 Tax laws and regulations establish government’s right to collect the tax, identify the basis on which the tax is calculated, and establish procedures to administer the tax, that is, procedures to calculate the tax receivable and ensure payment is received. Tax laws and regulations often require taxpayers to file periodic returns to an entity that administers a particular tax. The taxpayer generally provides details and evidence of the level of activity subject to tax, and the amount of tax receivable by government is calculated. Arrangements for receipt of taxes vary widely but are normally designed to ensure that government receives payments on a regular basis without resorting to legal action. Tax laws are usually rigorously enforced and often impose severe penalties on individuals or other entities breaching the tax law.



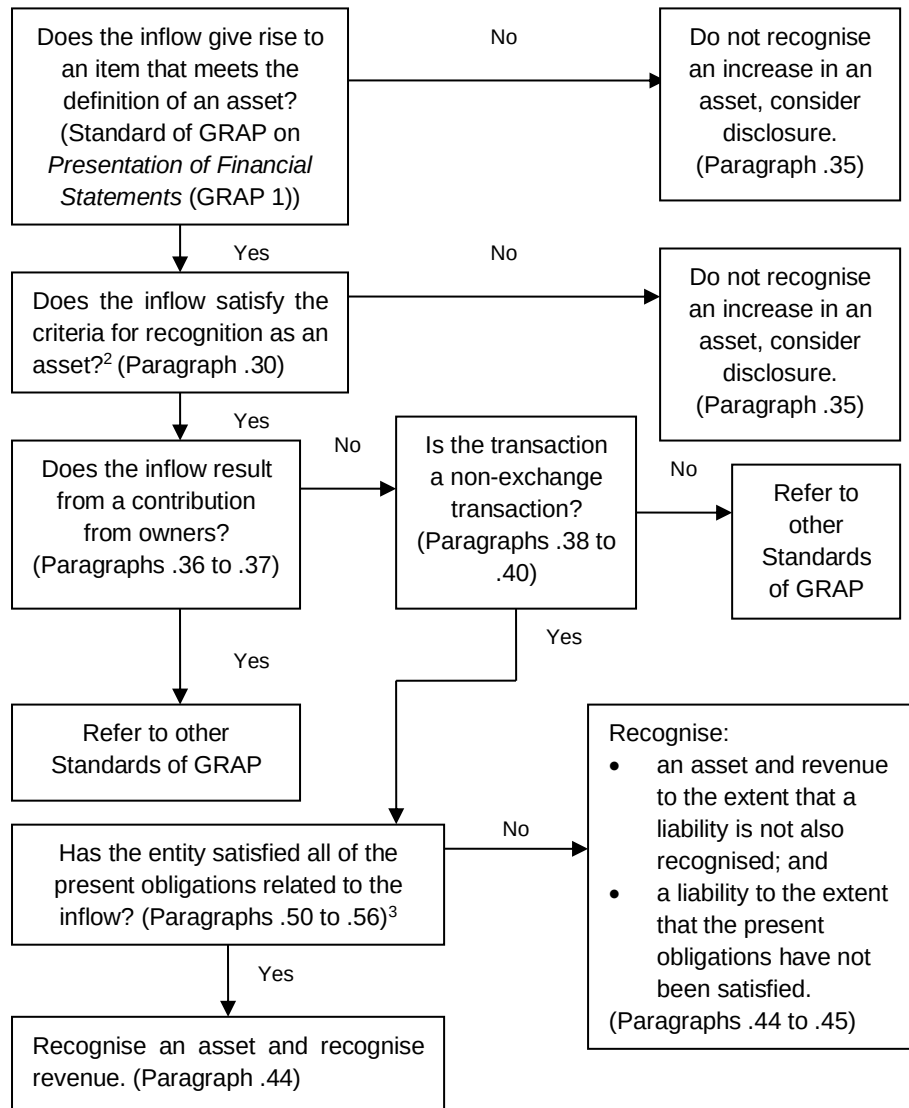
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- .27 Advance receipts, being amounts received in advance of the taxable event, may also arise in respect of taxes.

Initial analysis of the inflow of resources from non-exchange transactions

- .28 An entity will recognise an asset arising from a non-exchange transaction when it gains control of resources that meet the definition of an asset and satisfy the recognition criteria. In certain circumstances, such as when a creditor forgives a liability, a decrease in the carrying amount of a previously recognised liability may arise. In these cases, instead of recognising an asset, the entity decreases the carrying amount of the liability. In some cases, gaining control of the asset may also carry with it an obligation that the entity will recognise as a liability. Contributions from owners do not give rise to revenue, so each type of transaction is analysed and any contributions from owners are accounted for separately. Consistent with the approach set out in this Standard, entities will analyse non-exchange transactions to determine which elements of financial statements will be recognised as a result of the transactions. The flow chart on the following page illustrates the analytical process an entity undertakes when there is an inflow of resources, to determine whether revenue arises. This Standard follows the structure of the flowchart. Requirements for the treatment of transactions are set out in paragraphs .29 to .124.

Illustration of the initial analysis of inflows of resources



1. The flowchart is illustrative only, it does not take the place of this Standard. It is provided as an aid to interpreting this Standard.
2. In certain circumstances, such as when a creditor forgives a liability, a decrease in the carrying amount of a previously recognised liability may arise. In these cases, instead of recognising an asset the entity decreases the carrying amount of the liability.
3. In determining whether the entity has satisfied all of the present obligations, the application of the definition of "conditions on a transferred asset", and the criteria for recognising a liability are considered.

Recognition of assets

- .29 Assets are defined in the *Framework for the Preparation and Presentation of Financial Statements*² as resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.
- .30 ***Other than services in-kind not recognised in terms of paragraph .99, an inflow of resources from a non-exchange transaction that meets the definition of an asset shall be recognised as an asset when, and only when:***
- (a) ***it is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and***
 - (b) ***the fair value of the asset can be measured reliably.***

Control of an asset

- .31 The ability to exclude or regulate the access of others to the benefits of an asset is an essential element of control that distinguishes an entity's assets from those public goods to which all entities have access and from which they benefit. Governments exercise a regulatory role over certain activities, for example, financial institutions or pension funds. This regulatory role does not necessarily mean that such regulated items meet the definition of an asset of the government, or satisfy the criteria for recognition as an asset in the financial statements of the government that regulates those assets. In accordance with paragraph .99, entities may, in certain instances, recognise services in-kind.
- .32 An announcement of an intention to transfer resources to an entity is not of itself sufficient to identify resources as controlled by a recipient. For example, if a public school was destroyed by a forest fire and a government announced its intention to transfer funds to rebuild the school, the school would not recognise an inflow of resources (resources receivable) at the time of the announcement. In circumstances where a transfer agreement is required before resources can be transferred, a recipient entity will not identify resources as controlled until such time as the agreement is binding, because the recipient entity cannot exclude or regulate the access of the transferor to the resources. In many instances, the entity will need to establish enforceability of its control of resources before it can recognise an asset. If an entity does not have an enforceable claim to resources, it cannot exclude or regulate the transferor's access to those resources.

Past event

- .33 Entities normally obtain assets from other entities including taxpayers, or by purchasing or producing them. Therefore, the past event that gives rise to control of

² 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*.



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an asset may be a purchase, a taxable event or a transfer. Transactions or events expected to occur in the future do not in themselves give rise to assets – hence, for example, an intention to levy taxation is not a past event that gives rise to an asset in the form of a claim against a taxpayer.

Probable inflow of resources

- .34 An inflow of resources is “probable” when the inflow is more likely than not to occur. The entity bases this determination on its past experience with similar types of flows of resources and its expectations regarding the taxpayer or transferor. For example, where a government agrees to transfer funds to an entity (reporting entity), the agreement is binding and the government has a history of transferring agreed resources, it is probable that the inflow will occur, notwithstanding that the funds have not been transferred at the reporting date.

Contingent assets

- .35 An item that possesses the essential characteristics of an asset, but fails to satisfy the criteria for recognition, may warrant disclosure in the notes as a contingent asset (see GRAP 19).

Contributions from owners

- .36 Contributions from owners are defined in the *Framework for the Preparation and Presentation of Financial Statements*². For a transaction to qualify as a contribution from owners, it will be necessary to satisfy the characteristics identified in that definition. In determining whether a transaction satisfies the definition of a contribution from owners, the substance rather than the form of the transaction is considered. Paragraph .37 indicates the form that contributions from owners may take. If, despite the form of the transaction, the substance is clearly that of a loan or another kind of liability, or revenue, the entity recognises it as such and makes an appropriate disclosure in the notes to the financial statements, if material. For example, if a transaction purports to be a contribution from owners, but specifies that the entity will pay fixed distributions to the transferor, with a return of the transferor’s investment at a specified future time, the transaction is more characteristic of a loan. An entity also considers the requirements of paragraphs 3.1 to 3.14, and paragraphs 5.4 to 5.6 on concessionary investments, of the Standard of GRAP on *Financial Instruments* (GRAP 104) where the transaction meets the definition of a financial instrument.
- .37 A contribution from owners may be evidenced by, for example:
- (a) a formal designation of the transfer (or a class of such transfers) by the contributor or a controlling entity of the contributor as forming part of the recipient’s contributed net assets, either before the contribution occurs or at the time of the contribution;

- (b) a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of the recipient that can be sold, transferred or redeemed; or
- (c) the issue, in relation to the contribution, of equity instruments that can be sold, transferred or redeemed.

Exchange and non-exchange components of a transaction

- .38 Paragraphs .39 and .40 address circumstances in which an entity gains control of resources embodying future economic benefits or service potential other than by contributions from owners.
- .39 Paragraph .06 defines exchange transactions and non-exchange transactions and paragraph .09 notes that a transaction may include two components, an exchange component and a non-exchange component.
- .40 Where an asset is acquired by means of a transaction that has an exchange component and a non-exchange component, the entity recognises the exchange component according to the principles and requirements of other Standards of GRAP. The non-exchange component is recognised according to the principles and requirements of this Standard. In determining whether a transaction has identifiable exchange and non-exchange components, professional judgement is exercised. Where it is not possible to distinguish separate exchange and non-exchange components, the transaction is treated as a non-exchange transaction.

Measurement of assets on initial recognition

- .41 *An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.***

Non-monetary assets

- .42 Consistent with the Standards of GRAP on *Inventories* (GRAP 12), *Investment Property* (GRAP 16), GRAP 17, *Intangible Assets* (GRAP 31) and *Heritage Assets* (GRAP 103), assets acquired through non-exchange transactions are measured at their fair value as at the date of acquisition. Assets arising out of contractual arrangements that otherwise meet the definition of a financial instrument (see Appendix A paragraphs AG2.11 to AG2.16 of GRAP 104), such as cash and transfers receivable, are measured in accordance with paragraphs .41 and .51 of this Standard as well as Appendix A paragraphs AG5.2 to AG5.11 of GRAP 104.

Monetary assets

- .42A Monetary assets are those assets, which include receivables, that are settled through the receipt of cash, or another financial asset, from another entity. Monetary assets can arise from both contractual and statutory (non-contractual) arrangements.

- .42B Assets arising out of contractual arrangements that otherwise meet the definition of a financial instrument (see Appendix A paragraph AG29. of GRAP 104), such as cash and transfers receivable, are measured in accordance with paragraph .41 of this Standard as well as paragraph .34 and Appendix A paragraphs AG77. to AG86. of GRAP 104.
- .42C Receivables that arise from statutory (non-contractual) arrangements (see paragraph .05 of the Standard of GRAP on *Statutory Receivables* (GRAP 108)) are initially measured in accordance with paragraph .41 of this Standard as well as paragraph .10 of GRAP 108. An entity applies GRAP 108 for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.
- .43 [Deleted].

Recognition of revenue from a non-exchange transaction

- .44 ***An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.***
- .45 ***As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it shall reduce the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction.***
- .46 When an entity recognises an increase in net assets as a result of a non-exchange transaction, it recognises revenue. If it has recognised a liability in respect of the inflow of resources arising from the non-exchange transaction, when the liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, it recognises revenue. If an inflow of resources satisfies the definition of contributions from owners, it is not recognised as a liability or revenue.
- .47 The timing of revenue recognition is determined by the nature of the conditions and their settlement. For example, if a condition specifies that the entity is to provide goods or services to third parties, or return unused funds to the transferor, revenue is recognised as the goods or services are provided.

Measurement of revenue from a non-exchange transaction

- .48 ***Revenue from a non-exchange transaction shall be measured at the amount of the increase in net assets recognised by the entity.***
- .49 When, as a result of a non-exchange transaction, an entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured in accordance with paragraph .41, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured in accordance with the requirements of paragraph .57, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs

or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Present obligations recognised as liabilities

.50 *A present obligation arising from a non-exchange transaction that meets the definition of a liability shall be recognised as a liability when, and only when:*

- (a) it is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the obligation; and*
- (b) a reliable estimate can be made of the amount of the obligation.*

Present obligation

.51 A present obligation is a duty to act or perform in a certain way, and may give rise to a liability in respect of any non-exchange transaction. Present obligations may be imposed by stipulations in laws or regulations or similar binding arrangements establishing the basis of transfers. They may also arise from the normal operating environment, such as the recognition of advance receipts.

.52 In many instances, taxes are levied and assets are transferred to entities in non-exchange transactions pursuant to laws, regulation or similar binding arrangements that impose stipulations that they be used for particular purposes. For example:

- (a) taxes, the use of which is limited by laws or regulations to specified purposes;
- (b) transfers, established by a binding arrangement that includes conditions:
 - (i) from a national government to provincial, or local governments;
 - (ii) from provincial governments to local governments;
 - (iii) from governments to other entities;
 - (iv) to other entities that are created by laws or regulation to perform specific functions with operational autonomy, such as statutory authorities or regional boards or authorities; and
 - (v) from donor agencies to governments or other entities.

.53 In the normal course of operations, an entity may accept resources prior to a taxable event occurring. In such circumstances, a liability of an amount equal to the amount of the advance receipt is recognised until the taxable event occurs.

.54 If an entity receives resources prior to the existence of a binding transfer arrangement, it recognises a liability for an advance receipt until such time as the arrangement becomes binding.

Conditions on a transferred asset

.55 *Conditions on a transferred asset give rise to a present obligation on initial recognition that will be recognised in accordance with paragraph .50.*

- .56 Stipulations are defined in paragraph .06. Paragraphs .13 to .24 provide guidance on determining whether a stipulation is a condition or a restriction. An entity analyses any and all stipulations attached to an inflow of resources, to determine whether those stipulations impose conditions or restrictions.

Measurement of liabilities on initial recognition

- .57 *The amount recognised as a liability shall be the best estimate of the amount required to settle the present obligation at the reporting date.***
- .58 The estimate takes account of the risks and uncertainties that surround the events causing the liability to be recognised. Where the time value of money is material, the liability will be measured at the present value of the amount expected to be required to settle the obligation. This requirement is in accordance with the principles established in GRAP 19.
- .59 After initial recognition, an entity assesses whether the obligation should be measured, derecognised, presented and disclosed in accordance with GRAP 19 or GRAP 104.

Taxes

- .60 *An entity shall recognise an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.***
- .61 Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.
- .62 Governments typically make use of tax collection agencies for the purposes of collecting taxation revenue. These entities assess whether they are an agent or principal in accordance with GRAP 109 to determine what proportion, if any, of the taxes collected on behalf of government may be recognised as their own revenue.
- .63 Taxes do not satisfy the definition of “contributions from owners”, because the payment of taxes does not give the taxpayers a right to receive distributions of future economic benefits or service potential by the entity during its life or distribution of any excess of assets over liabilities in the event of the government being wound up. Nor does the payment of taxes provide taxpayers with an ownership right in the government that can be sold, exchanged, transferred or redeemed.
- .64 Taxes satisfy the definition of “non-exchange transaction”, because the taxpayer transfers resources to the government without receiving approximately equal value directly in exchange. Whilst the taxpayer may benefit from a range of social policies

established by the government, these are not provided directly in exchange as consideration for the payment of taxes.

- .65 As noted in paragraph .52, some taxes are levied for specific purposes. If the government is required to recognise a liability in respect of any conditions relating to assets recognised as a consequence of specific purpose tax levies, it does not recognise revenue until the condition is satisfied and the liability is reduced. However, in most cases, taxes levied for specific purposes are not expected to give rise to a liability because the specific purposes amount to restrictions not conditions.

The taxable event

- .66 The entity analyses the taxation laws to determine what the taxable events are for the various taxes levied. Unless otherwise specified in laws or regulations, it is likely that the taxable event for:
- (a) income tax is the earning of assessable income during the taxation period by the taxpayer;
 - (b) value added tax is the undertaking of taxable activity during the taxation period by the taxpayer;
 - (c) customs duty is the movement of dutiable goods or services across the customs boundary;
 - (d) estate duty is the death of a person owning taxable property; and
 - (e) property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Advance receipts of taxes

- .67 Consistent with the definitions of “assets”, “liabilities” and the requirements of paragraph .60, resources for taxes received prior to the occurrence of the taxable event are recognised as an asset and a liability (advance receipts) because the event that gives rise to the entity’s entitlement to the taxes has not occurred and the criteria for recognition of taxation revenue have not been satisfied (see paragraph .60), notwithstanding that the entity has already received an inflow of resources. Advance receipts in respect of taxes are not fundamentally different from other advance receipts, so a liability is recognised until the taxable event occurs. When the taxable event occurs, the liability is discharged and revenue is recognised. Advance receipts of taxes are unusual, as specific legislation is required.

Measurement of assets arising from taxation transactions

- .68 Paragraph .41 requires that assets arising from taxation transactions be measured at their fair value as at the date of acquisition. Assets arising from taxation transactions are measured at the best estimate of the inflow of resources to the entity. Entities will develop accounting policies for the measurement of assets arising from taxation transactions that conform to the requirements of paragraph .41. The accounting

policies for estimating these assets will take account of both the probability that the resources arising from taxation transactions will flow to the government and the fair value of the resultant assets.

- .69 As there is a separation between the timing of the taxable event and the collection of taxes, entities may reliably measure assets arising from taxation transactions by using, for example, statistical models based on the history of collecting the particular tax in prior periods. These models will include consideration of the timing of cash receipts from taxpayers, declarations made by taxpayers, and the relationship of taxation receivable to other events in the economy. Measurement models will also take account of other factors, such as:
- (a) the tax law allowing taxpayers a longer period to file returns than the government permits for publishing financial statements;
 - (b) taxpayers failing to file returns on a timely basis;
 - (c) valuing non-monetary assets for tax assessment purposes;
 - (d) complexities in tax law requiring extended periods for assessing taxes due from certain taxpayers;
 - (e) the potential that the financial and political costs of rigorously enforcing the tax laws and collecting all the taxes legally due to the government may outweigh the benefits received;
 - (f) the tax law permitting taxpayers to defer payment of some taxes; and
 - (g) a variety of circumstances particular to individual taxes and jurisdictions.
- .70 Measuring assets and revenue arising from taxation transactions using statistical models may result in the actual amount of assets and revenue recognised being different from the amounts determined, in subsequent reporting periods, as being due from taxpayers in respect of the current reporting period. Revisions to estimates are made in accordance with the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors*.
- .71 In some cases the assets arising from taxation transactions and the related revenue cannot be reliably measured until some time after the taxable event occurs. This may occur if a tax base is volatile and reliable estimation is not possible. In many cases, the assets and revenue may be recognised in the period subsequent to the occurrence of the taxable event. However, there are exceptional circumstances when several reporting periods will pass before a taxable event results in an inflow of resources embodying future economic benefits or service potential that meets the definition of an asset and satisfies the criteria for recognition as an asset. If none of the recognition criteria are satisfied, recognition occurs when payment is received. For example, unless otherwise specified in laws or regulations, it is likely that the related revenue can be reliably measured for:

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- (a) income tax with the submission of a tax return or declaration and/or receipt of a payment by the taxpayer and/or employer;
- (b) value added tax with the submission of a tax return or declaration and/or receipt of a payment by the vendor;
- (c) customs duty with the submission of a declaration and/or receipt of a payment by the importer or agent;
- (d) estate duty with the submission of a tax return or declaration and/or payment by the executor; or
- (e) rates and taxes with the submission of a declaration and/or payment by the ratepayer.

Expenses paid through the tax system and tax expenditures

- .72 *Taxation revenue shall be determined at a gross amount. It shall not be reduced for expenses paid through the tax system.***
- .73 At present, government is not using the tax system as a settlement system, but it could use the tax system as a convenient method of paying benefits to taxpayers, which would otherwise be paid using another payment method, such as writing a cheque, directly depositing the amount in a taxpayer's bank account, or settling another account on behalf of the taxpayer. In these cases, the amount is payable irrespective of whether the individual pays taxes. Consequently, this amount is an expense of the government and should be recognised separately in the statement of financial performance. Tax revenue should be increased for the amount of any of these expenses paid through the tax system.
- .74 *Taxation revenue shall not be grossed up for the amount of tax expenditures.***
- .75 Tax expenditures are foregone revenue, not expenses, and do not give rise to inflows or outflows of resources – that is, they do not give rise to assets, liabilities, revenue or expenses of the taxing government.
- .76 The key distinction between expenses paid through the tax system and tax expenditures is that, for expenses paid through the tax system, the amount is available to recipients irrespective of whether they pay taxes or use a particular mechanism to pay their taxes. GRAP 1 prohibits the offsetting of items of revenue and expense unless permitted by another Standard of GRAP. The offsetting of tax revenue and expenses paid through the tax system is not permitted.

Transfers

- .77 *Subject to paragraph .99, an entity shall recognise an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.***

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- .78 Transfers include grants, debt forgiveness, fines, bequests, gifts, donations, goods and services in-kind, concessionary loans received and concessionary investments. All these items have the common attribute that they transfer resources from one entity to another without providing approximately equal value in exchange and are not taxes as defined in this Standard.
- .79 Transfers satisfy the definition of an asset when the entity controls the resources as a result of a past event (the transfer) and expects to receive future economic benefits or service potential from those resources. Transfers satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. In certain circumstances, such as when a creditor forgives a liability, a decrease in the carrying amount of a previously recognised liability may arise. In these cases, instead of recognising an asset as a result of the transfer, the entity decreases the carrying amount of the liability.
- .80 An entity obtains control of transferred resources either when the resources have been transferred to the entity, or the entity has an enforceable claim against the transferor. Many arrangements to transfer resources become binding on all parties before the transfer of resources takes place. However, sometimes one entity promises to transfer resources but fails to do so. Consequently, only when a claim is enforceable and the entity assesses that it is probable that the inflow of resources will occur, will assets, liabilities and/or revenue be recognised. Until that time, the entity cannot exclude or regulate the access of third parties to the benefits of the resources proposed for transfer.
- .81 Transfers of resources that satisfy the definition of “contributions from owners” will not give rise to revenue. Agreements that specify that the entity providing resources is entitled to distributions of future economic benefits or service potential during the recipient entity’s life, or distribution of any excess of assets over liabilities in the event that the recipient entity is wound up, or that specify that the entity providing resources acquires a financial interest in the recipient entity that can be sold, exchanged, transferred or redeemed, are, in substance, agreements to make a contribution from owners.
- .82 Transfers satisfy the definition of “non-exchange transactions” because the transferor provides resources to the recipient entity without the recipient entity providing approximately equal value directly in exchange. If an agreement stipulates that the recipient entity is to provide approximately equal value in exchange, the agreement is not a transfer agreement, but a contract for an exchange transaction that should be accounted for under GRAP 9.
- .83 An entity analyses all stipulations contained in transfer agreements to determine if it incurs a liability when it accepts transferred resources.

Measurement of transferred assets

- .84 As required by paragraph .42, transferred assets are measured at their fair value as at the date of acquisition. Entities develop accounting policies for the recognition and measurement of assets that are consistent with Standards of GRAP. As noted previously, inventories, investment property, property, plant, equipment, intangible assets or heritage assets acquired through non-exchange transactions are to be initially measured at their fair value as at the date of acquisition in accordance with the requirements of GRAP 12, GRAP 16, GRAP 17, GRAP 31 and GRAP 103. Assets arising out of contractual arrangements, such as cash and transfers receivable that satisfy the definition of a financial instrument are measured at fair value as at the date of acquisition in accordance with paragraph .41 and .51 of this Standard as well as Appendix A paragraphs AG5.2 to AG5.11 of GRAP 104.

Debt forgiveness and assumption of liabilities

- .85 Lenders will sometimes waive their right to collect a debt owed by an entity, effectively cancelling the debt. For example, a national government may cancel a loan owed by a local government. In such circumstances, the local government recognises an increase in net assets because a liability it previously recognised is extinguished.
- .86 Entities recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.
- .87 Where a controlling entity forgives debt owed by a wholly owned controlled entity, or assumes its liabilities, the transaction may be a contribution from owners, as described in paragraphs .36 and .37.
- .88 Revenue arising from debt forgiveness is measured at the carrying amount of the debt forgiven.

Fines

- .89 Fines are economic benefits or service potential received or receivable by an entity from an individual or other entity, as determined by a court or other law enforcement body, as a consequence of the individual or other entity breaching the requirements of laws or regulations. Law enforcement officials are able to impose fines on individuals considered to have breached the law. In these cases, the individual will normally have the choice of paying the fine, or going to court to defend the matter. Where a defendant reaches an agreement with a prosecutor that includes the payment of a penalty instead of being tried in court, the payment is recognised as a fine.
- .90 Fines normally require an entity to transfer a fixed amount of cash to government and do not impose on the government any obligation that may be recognised as a liability. As such, fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset set out in paragraph .30.

As noted in paragraph .11, where an entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity. However, in some cases it may be appropriate for the collecting agent to recognise the receivable, along with a corresponding liability to pay the amounts collected over to the government. GRAP 109 provides guidance on the recognition of receivables by an agent, when those receivables are held on behalf of the principal. Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Bequests

- .91 A bequest is a transfer made according to the provisions of a deceased person's will. The past event giving rise to the control of resources embodying future economic benefits or service potential for a bequest occurs when the entity has an enforceable claim, for example, on the death of the testator, or the appointment of the executor, depending on the laws.
- .92 Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity, and the fair value of the assets can be measured reliably. Determining the probability of an inflow of future economic benefits or service potential may be problematic if a period of time elapses between the death of the testator and the entity receiving any assets. The entity will need to determine if the deceased person's estate is sufficient to meet all claims on it, and satisfy all bequests. If the will is disputed, this will also affect the probability of assets flowing to the entity.
- .93 The fair value of bequeathed assets is determined in the same manner as for gifts and donations, as is described in paragraph .98. Where deceased estates are subject to taxation, the tax authority may already have determined the fair value of the asset bequeathed to the entity, and this amount may be available to the entity. Bequests are measured at the fair value of the resources received or receivable.

Gifts and donations, including goods in-kind

- .94 Gifts and donations are voluntary transfers of assets including cash or other monetary assets, goods in-kind and services in-kind that one entity makes to another, normally free from stipulations. The transferor may be an entity or an individual. For gifts and donations of cash or other monetary assets and goods in-kind, the past event giving rise to the control of resources embodying future economic benefits or service potential is normally the receipt of the gift or donation. Recognition of gifts or donations of services in-kind are addressed in paragraphs .99 to .109.
- .95 Goods in-kind are tangible assets transferred to an entity in a non-exchange transaction, without charge, but may be subject to stipulations. External assistance provided by multilateral or bilateral development organisations often includes a component of goods in-kind.

- .96 Gifts and donations (other than services in-kind) are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. With gifts and donations, the making of the gift or the donation, and the transfer of legal title, is often simultaneous. In such circumstances, there is no doubt as to the future economic benefits flowing to the entity.
- .97 Goods in-kind are recognised as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.
- .98 On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which may be ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession that holds a recognised and relevant professional qualification. For many assets, the fair value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land, non-specialised buildings, motor vehicles and many types of plant and equipment.

Services in-kind

- .99 ***Except for financial guarantee contracts as described in paragraphs .108 and .109, an entity shall recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity shall disclose the nature and type of services in-kind received during the reporting period.***
- .100 Entities may be recipients of services in-kind under voluntary or non-voluntary schemes, for example:
- (a) technical assistance from other governments or international organisations;
 - (b) persons convicted of offences may be required to perform community service for an entity;
 - (c) public hospitals may receive the services of volunteers;
 - (d) schools may receive voluntary services from parents as teachers' aides or as board members;
 - (e) local governments may receive the services of volunteer fire fighters;

- (f) office rent may be paid on behalf of an entity by another entity; and
 - (g) an entity may make use of fully furnished accommodation paid on its behalf by another entity.
- .101 The significance of the services in-kind on the entity's operations and/or service delivery objectives determines whether the entity recognises services in-kind as an asset and revenue. For example, when an entity that receives services in-kind that are integral to its operations, such as office accommodation paid on its behalf, it should recognise those services in-kind when they meet the definition of an asset and satisfy the criteria for recognition.
- .102 Services in-kind include services provided by individuals to entities and the right to use assets in a non-exchange transaction. These services meet the definition of an asset because the entity controls a resource from which future economic benefits or service potential is expected to flow to the entity. These assets and revenue are, in most instances, immediately consumed or used and a transaction of equal value is also recognised to reflect the consumption or usage of these services in-kind. For example, a school that receives volunteer services from teachers' aides, the fair value of which can be reliably measured, will recognise an increase in an asset and revenue, and a decrease in an asset and an expense. In many cases, the entity will recognise an expense for the consumption of services in-kind. However, services in-kind may also be used to construct an asset, in which case the amount recognised in respect of services in-kind is included in the cost of the asset being constructed.
- .103 Some services in-kind do not meet the definition of an asset because the entity has insufficient control over the services provided. This is often the case where the services in-kind are provided by individuals. In many instances, services in-kind are rendered by persons with little or no training and are fundamentally different from the services the entity would acquire if the services in-kind were not available.
- .104 In other circumstances, the entity may have control over the services in-kind, but may not be able to measure them reliably, and thus they fail to satisfy the criteria for recognition as an asset. When an entity is able to measure the fair value of certain services in-kind, the entity needs to recognise the asset and the revenue if it is significant to its operations and/or service delivery objectives and the criteria for recognition is satisfied, for example, where office rent is paid on behalf of an entity by another entity.
- .105 Although there are uncertainties surrounding services in-kind, including the ability to exercise control over the services, and measuring the fair value of the services, this Standard requires the recognition of services in-kind, to the extent that the services in-kind are significant to an entity's operations and/or service delivery objectives and satisfy the criteria for recognition.
- .106 When the criteria for recognition are satisfied, services in-kind should be measured on initial recognition at their fair value as at the date of acquisition.

- .107 Paragraph .117 however, requires the disclosure of the nature and type of services in-kind received during the reporting period that are not significant to an entity's operations and/or service delivery objectives or do not satisfy the criteria for recognition.

Financial guarantee contracts

- .108 Entities in the public sector often have their debt guaranteed by another entity, such as their controlling entity. Where an entity has its debt guaranteed but does not pay a guarantee fee to the issuer of the financial guarantee contract, the entity has effectively received services (subsidised financial services) as part of a non-exchange transaction.
- .109 In these transactions, an entity is only required to disclose the existence of such financial guarantee contracts and the fact that no fee was paid to the issuer.

Pledges

- .110 Pledges are unenforceable undertakings to transfer assets to the recipient entity. Pledges do not meet the definition of an asset because the recipient entity is unable to control the access of the transferor to the future economic benefits or service potential embodied in the item pledged. Entities do not recognise pledged items as assets or revenue. If the pledged item is subsequently transferred to the recipient entity, it is recognised as a gift or donation, in accordance with paragraphs .94 to .98. Pledges may warrant disclosure as contingent assets under the requirements of GRAP 19.

Advance receipts of transfers

- .111 Where an entity receives resources before a transfer arrangement becomes binding, the resources are recognised as an asset when they meet the definition of an asset and satisfy the criteria for recognition as an asset. The entity will also recognise an advance receipt liability if the transfer arrangement is not yet binding. Advance receipts in respect of transfers are not fundamentally different from other advance receipts, so a liability is recognised until the event that makes the transfer arrangement binding occurs and all other conditions under the agreement are fulfilled. When that event occurs and all other conditions under the agreement are fulfilled, the liability is discharged and revenue is recognised.

Concessionary loans

- .112 Concessionary loans are loans received by entities at below market terms. In the public sector, these loans are often received to meet specific economic or social objectives.
- .113 The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with GRAP 104. The off-market portion of the loan is a non-exchange transaction and is accounted for in accordance with this Standard. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received

from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest (Appendix A paragraphs AG5.5 to AG5.7 of GRAP 104 provides guidance on determining a market related interest rate).

- .114 The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists an entity recognises revenue as and when it satisfies the conditions of the loan agreement.

Disclosures

- .115 ***An entity shall disclose either on the face of, or in the notes to, the financial statements:***

- (a) ***the amount of revenue from non-exchange transactions recognised during the period by major classes showing separately:***
 - (i) ***taxes, showing separately major classes of taxes; and***
 - (ii) ***transfers, showing separately major classes of transfer revenue.***
- (b) ***the amount of receivables recognised in respect of non-exchange revenue;***
- (c) ***the amount of liabilities recognised for refunds arising from non-exchange revenue;***
- (d) ***the amount of liabilities recognised in respect of the off-market portion of concessionary loans that are subject to conditions;***
- (d)(a) ***the amount of liabilities recognised in respect of the off-market portion of concessionary investments that are subject to conditions;***
- (e) ***the amount of liabilities recognised in respect of transferred assets subject to conditions;***
- (f) ***the amount of assets recognised that are subject to restrictions and the nature of those restrictions;***
- (g) ***the existence and amounts of any advance receipts or unallocated receipts in respect of non-exchange transactions; and***
- (h) ***the amount of any liabilities forgiven.***

- .116 ***An entity shall disclose in the notes to the financial statements:***

- (a) ***the accounting policies adopted for the recognition of revenue from non-exchange transactions;***
- (b) ***for major classes of revenue from non-exchange transactions, the basis on which the fair value of inflowing resources was measured;***

- (c) ***for major classes of taxation revenue which the entity cannot measure reliably during the period in which the taxable event occurs, information about the nature of the tax;***
- (d) ***the nature and type of major classes of bequests, gifts, donations showing separately major classes of goods in-kind received; and***
- (e) ***the nature and type of major classes of services in-kind received.***

- .117 Entities are required to disclose the nature and type of major classes of services in-kind received, including those not recognised in accordance with paragraph .99. The extent to which a class of services in-kind is significant to an entity's operations and/or service delivery objectives will determine the disclosures it makes in respect of that class.
- .118 The disclosures required by paragraphs .115 and .116 assist the entity to satisfy the objectives of financial reporting, as set out in GRAP 1, which are to provide information useful for decision making and to demonstrate the accountability of the entity for the resources entrusted to it.
- .119 Disclosure of the major classes of revenue assists users to make informed judgements about the entity's exposure to particular revenue streams.
- .120 Conditions and restrictions impose limits on the use of assets, which impact the operations of the entity. Disclosure of the amount of liabilities recognised in respect of conditions and the amount of assets subject to restrictions assists users in making judgements about the ability of the entity to use its assets at its own discretion. Entities are encouraged to disaggregate by class the information required to be disclosed by paragraph .115(e).
- .121 Paragraph .115(g) requires entities to disclose the existence of advance receipts in respect of non-exchange transactions. These liabilities carry the risk that the entity will have to make a sacrifice of future economic benefits or service potential if the taxable event does not occur, or a transfer arrangement does not become binding. Disclosure of these advance receipts assists users to make judgements about the entity's future revenue and net asset position.
- .122 As noted in paragraph .70, in many cases an entity will be able to measure assets and revenue arising from taxation transactions reliably, using, for example, statistical models. However, there may be exceptional circumstances where an entity is unable reliably to measure the assets and revenue arising until one or more reporting periods has elapsed since the taxable event occurred. In these cases, the entity makes disclosures about the nature of major classes of taxation that cannot be reliably measured, and therefore recognised, during the reporting period in which the taxable event occurs. These disclosures assist users to make informed judgements about the entity's future revenue and net asset position.

- .123 Paragraph .116(d) requires entities to make disclosures about the nature and type of major classes of gifts, donations and bequests it has received. These inflows of resources are received at the discretion of the transferor, which exposes the entity to the risk that, in future periods, such sources of resources may change significantly. Such disclosures assist users to make informed judgements about the entity's future revenue and net asset position.
- .124 Where services in-kind meet the definition of an asset and satisfy the criteria for recognition as an asset, entities should recognise these services in-kind when they are significant to an entity's operations and/or service delivery objectives and measure them at their fair value in accordance with paragraphs .99 and .105. Paragraph .117 requires an entity to make disclosures about the nature and type of all services in-kind received, whether they are recognised or not. Such disclosures may assist users to make informed judgements about the contribution made by such services to the achievement of the entity's service delivery objectives during the reporting period, and the significance of such services for the achievement of an entity's service delivery objectives in the future.

Transitional provisions

Initial adoption of the Standards of GRAP

- .125 *The transitional provisions to be applied by entities are prescribed in directives. The provisions of this Standard should be read in conjunction with each applicable directive.***

Amendments to Standards of GRAP

- .126 *Paragraphs .10, .25, .26, .29, .30, .31, .42, .84, .99, .101, .102, .103, .108, .109, .112, .113, .116, .117 and .124 were amended, paragraphs .03, .05, .100, .101, .103, .104 and .107 were added and paragraph .103 was deleted by the Improvements to the Standards of GRAP issued on 1 April 2014. An entity shall apply these amendments prospectively for annual periods beginning on or after 1 April 2015. If an entity elects to apply these amendments earlier, it shall disclose this fact.***

Effective date

Initial adoption of the Standards of GRAP

- .127 *An entity shall apply this Standard for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the Public Finance Management Act, Act No. 1 of 1999, as amended.***

Entities already applying Standards of GRAP

- .128 *An entity shall apply amendments to this Standard for annual financial statements covering periods beginning on or after 1 April 2015. Earlier***



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application is encouraged. If an entity applies these amendments for a period beginning before 1 April 2015, it shall disclose that fact.

- .128A** Paragraph .42B was amended, paragraphs .09A, .42A and .42C were added, and paragraph .43 was deleted by GRAP 108 issued September 2013. Paragraphs .11, .62 and .90 were amended by GRAP 109 issued July 2015. An entity shall apply these amendments for annual financial statements covering periods beginning on or after 1 April 2019. Earlier application is encouraged. If an entity applies the amendment for a period beginning before 1 April 2019, it shall disclose that fact.
- .128B** Paragraphs .06, .13, .15, .51 and .52 were amended and paragraph .06A added by the Standard of GRAP on Consolidated Financial Statements issued March 2017. An entity shall apply these amendments retrospectively for annual financial periods beginning on or after 1 April 2020. If an entity elects to apply these amendments earlier, it shall disclose this fact.
- .128C** Paragraphs .04, .36, .42, .78, .84, .113 and .115 were amended by the revision of GRAP 104 issued in April 2019. An entity shall apply these amendments for annual financial statements covering periods beginning on or after 1 April 2025. An entity shall apply these amendments retrospectively.

Withdrawal of other pronouncements

- .129** This Standard supersedes paragraph .46 of the Standard of GRAP on *Revenue from Exchange Transactions*.



Comparison with the International Public Sector Accounting Standard on *Revenue from Non-exchange Transactions (Taxes and Transfers)* (December 2006)

This Standard is drawn primarily from the International Public Sector Accounting Standard on *Revenue from Non-exchange Transactions (Taxes and Transfers)* (IPSAS 23). The main differences between this Standard and IPSAS 23 are as follows:

- The scope of this Standard is different to IPSAS 23 in that government business enterprises are defined differently.
- This Standard uses different terminology, in certain instances, from IPSAS 23. The most significant example is the use of the term “net assets” in this Standard. The equivalent term in IPSAS 23 is “net assets/equity”.
- Transitional provisions applicable to this Standard are dealt with differently than in IPSAS 23.
- In this Standard, services in-kind are dealt with differently than in IPSAS 23. This Standard makes it mandatory for entities to recognise services in-kind to the extent that services received are significant to an entity’s operations and/or service delivery objectives and the recognition criteria has been met.
- The requirement for the measurement of debt forgiven has been clarified.
- The examples have been modified to reflect South African circumstances.
- The requirement for the measurement of debt has been clarified.
- This Standard clarifies that the fair value of financial guarantees issued on behalf of the entity where no fee was paid, need not be disclosed in the financial statements.