ACCOUNTING STANDARDS BOARD

INTERPRETATION OF THE STANDARDS OF GENERALLY RECOGNISED ACCOUNTING PRACTICE

REVENUE – BARTER TRANSACTIONS INVOLVING ADVERTISING SERVICES

(IGRAP 15)

Issued by the
Accounting Standards Board

February 2010

Acknowledgement

This Interpretation of the Standards of Generally Recognised Accounting Practice (IGRAP) is drawn primarily from the equivalent SIC Interpretation on *Revenue – Barter Transactions Involving Advertising Services* (SIC 31) published by the International Accounting Standards Board (IASB) in December 2001. The IASB has issued a comprehensive body of IFRS® Accounting Standards and IFRIC® Interpretations. Extracts of SIC 31 are reproduced in this Interpretation of the Standards of GRAP with the permission of the IASB.

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Introduction

This pronouncement is set out in paragraphs .01 to .08. 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*.

Interpretation of the Standards of GRAP on *Revenue – Barter Transactions Involving Advertising Services*

References

- GRAP 3 *Accounting Policies, Changes in Accounting Estimates and Errors*
- GRAP 9 *Revenue from Exchange Transactions*

Issue

.01 An entity (seller) may enter into a barter transaction to provide advertising services in exchange for receiving other services from its customer (customer). Advertisements may be displayed on the Internet or poster sites, broadcast on the television or radio, published in magazines or journals, or presented in another medium. An example could be where a municipality offers advertising services to local businesses in its community newsletters in exchange for repairs and maintenance services provided by those businesses. These repair and maintenance services may, for example, take the form of repairing and maintaining office buildings or motor vehicles owned by the municipality.

.02 In some cases, no cash or other consideration is exchanged between the entities. In some other cases, equal or approximately equal amounts of cash or other consideration are also exchanged.

.03 A seller that provides advertising services in the course of its ordinary activities recognises revenue under the Standard of GRAP on *Revenue from Exchange Transactions* (GRAP 9) from a barter transaction involving advertising when, amongst other criteria, the services exchanged are dissimilar in terms of paragraph .18 in GRAP 9 and the amount of revenue can be measured reliably in terms of paragraph .20(a) in GRAP 9. This Interpretation only applies to an exchange of dissimilar services. An exchange of similar advertising services is not a transaction that generates revenue under GRAP 9.

.04 The issue is under what circumstances can a seller reliably measure revenue at the fair value of advertising services received or provided in a barter transaction.

Consensus

.05 Revenue from a barter transaction involving advertising cannot be measured reliably at the fair value of advertising services received. However, a seller can reliably measure revenue at the fair value of the advertising services it provides in a barter transaction, by reference only to non-barter transactions that:

(a) involve advertising similar to the advertising in the barter transaction;

(b) occur frequently;

(c) represent a predominant number of transactions and amount when compared to all transactions to provide advertising that is similar to the advertising in the barter transaction;

(d) involve cash and/or another form of consideration (e.g. marketable securities, non-monetary assets, and other services) that has a reliably measurable fair value; and

(e) do not involve the same counterparty as in the barter transaction.

Transitional provisions

.06 ***All changes resulting from the application of this Interpretation shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.***

Effective date

Initial adoption of the Standards of GRAP

.07 ***This Interpretation becomes effective with reference to the effective date of the applicable Standards of GRAP as 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

.08 ***An entity shall apply this Interpretation for annual financial statements covering periods beginning on or after 1 April 2011.***

Comparison with the SIC Interpretation on *Revenue – Barter Transactions Involving Advertising Services* (December 2001)

This Interpretation is drawn primarily from the SIC Interpretation on *Revenue – Barter Transactions Involving Advertising Services* (SIC 31). The main difference between this Interpretation and SIC 31 is as follows:

- An example has been included in this Interpretation to explain the applicability of the principles in this Interpretation to the South African public sector.