ACCOUNTING STANDARDS BOARD

IMPROVEMENTS TO STANDARDS OF GRAP (2023)

Issued by the
Accounting Standards Board

November 2023

Introduction

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*.

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[2] Amendments were made to the version of the Standard of GRAP on *Presentation of Financial Statements* (GRAP 1) effective on 1 April 2023.
[3] Amendments were made to the Standard of GRAP on *Financial Instruments (2019)* effective on 1 April 2025.

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A1. Amendments to the Standard of GRAP on *Presentation of Financial Statements*

The changes to the Standard of GRAP on *Presentation of Financial Statements* (GRAP 1) are:

Type of amendment	**Paragraph reference**	**Summary of proposed amendment**
Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) *Feb 2021*	.05, .11, .124 and .127 to .132	Disclosure of Accounting Policies: Changes from "significant accounting policies" to "material accounting policies" because the Standards of GRAP do not define the term "significant".
General Improvements	.09(a) and .14	Provide clarity to the terms "publicly available" and "publicly accountable".
General Improvements	.14 to .16	Remove encouraged disclosures with limited information value.

Amendments to the Standard of GRAP on *Presentation of Financial Statements*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 1 are amended:

Definitions

.05 The following terms are used in this Standard with the meanings specified:

<u>Accounting policies are defined in paragraph .04 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, and the term is used in this Standard with the same meaning.</u>

~~Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.~~

Purpose of financial statements

…

.09 General purpose financial statements can also have a predictive or prospective role, providing information useful in predicting the level of resources required for continued operations, the resources that may be generated by continued operations, and the associated risks and uncertainties. Financial reporting may also provide users with information:

(a) indicating whether resources were obtained and used in accordance with the ~~legally adopted~~ <u>approved</u> budget; and

(b) indicating whether resources were obtained and used in accordance with legal and contractual requirements, including financial limits established by appropriate legislative authorities.

Components of financial statements

.11 A complete set of financial statements comprises:

…

(f) notes, comprising <u>material</u> ~~significant~~ accounting policies and other explanatory notes;

…

.14 Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through legislation, appropriation or similar authorisation. General purpose financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. Entities that make publicly available their approved budget(s) for which they are held publicly accountable, are required to comply with the requirements of the Standard of GRAP on *Presentation of Budget Information in Financial Statements*. ~~For other entities, where the financial statements and the budget are on the same basis of accounting, this Standard encourages the inclusion in the financial statements of a comparison with the budgeted amounts for the reporting period. Reporting against budget(s) for these entities may be presented in various different ways, including:~~

(a) ~~the use of a columnar format for the financial statements, with separate columns for budgeted amounts and actual amounts. A column showing any variances from the budget or appropriation may also be presented, for completeness; and~~

(b) ~~disclosure that the budgeted amounts have not been exceeded. If any budgeted amount or appropriations have been exceeded, or expenses incurred without appropriation or other form of authority, then details may be disclosed by way of footnote to the relevant item in the financial statements.~~

.15 Entities ~~are encouraged, or~~ may be required by legislation, regulations or similar documents described in legislation or regulations, to present additional information to assist users in assessing the performance of the entity, and its stewardship of assets, as well as making and evaluating decisions about the allocation of resources. This additional information may include details about the entity's outputs and outcomes in the form of performance indicators, statements of service performance, programme reviews and other reports by management about the entity's achievements over the reporting period.

.16 Entities ~~are also encouraged, or~~ may be required by legislation, regulations or similar documents described in legislation or regulations, to disclose information about compliance with legislative, regulatory or other externally imposed regulations. When information about compliance is not included in the financial statements, it may be useful for a note to refer to any documents that include that information. Knowledge of non-compliance is likely to be relevant for accountability purposes and may affect a user's assessment of the entity's performance and direction of future operations. It may also influence decisions about resources to be allocated to the entity in the future.

Structure and content

…

Notes

Structure

…

.124 Examples of systematic ordering or grouping of the notes include:

…

(c) following the order of the line items in the statement of financial performance and the statement of financial position, such as:

…

(ii) ~~significant~~ material accounting policies ~~applied~~ (see paragraph .127);

…

Disclosure of accounting policies

.127 An entity shall disclose its ~~significant~~ material accounting policies ~~comprising~~(see paragraph .05).~~:~~

~~(a) the measurement basis (or bases) used in preparing the financial statements;~~

~~(b) the extent to which the entity has applied any transitional provisions of the Standards of GRAP; and~~

~~(c) the other accounting policies that are relevant to an understanding of the financial statements.~~

.127A Accounting policies that relate to immaterial transactions, other events or conditions are immaterial and need not be disclosed. Accounting policies may nevertheless be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policies relating to material transactions, other events or conditions are itself material.

.127B Accounting policies are expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. For example, an entity is likely to consider accounting policies material to its financial statements if that information relates to material transactions, other events or conditions and:

(a) the entity changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

(b) the entity chose the accounting policy from one or more options permitted by the Standards of GRAP - such a situation could arise if the entity chose to measure investment property at historical cost rather than fair value;

(c) the accounting policy was developed in accordance with the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* in the absence of a Standard of GRAP that specifically applies;

(d) the accounting policy relates to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in accordance with paragraphs .132 and .135; or

(e) the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions - such a situation could arise if an entity applies more than one Standard of GRAP to a class of material transactions.

.127C Accounting policies that focus on how an entity has applied the requirements of the Standards of GRAP to its own circumstances provide entity-specific information that is more useful to users of financial statements than standardised information, or information that only duplicates or summarises the requirements of the Standards of GRAP.

.127D If an entity discloses immaterial accounting policies, such information shall not obscure material accounting policies.

.127E An entity's conclusion that an accounting policy is immaterial does not affect the related disclosure requirements set out in other Standards of GRAP.

.128 [Deleted].

~~It is important for users to be informed of the measurement basis (or bases) used in the financial statements (for example, historical cost, current replacement cost, realisable value, fair value, recoverable amount or recoverable service amount) because the basis on which the financial statements are prepared significantly affects their analysis. When more than one measurement basis is used in the financial statements, for example when particular classes of assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.~~

.129 [Deleted].

~~In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in the Standards of GRAP. An~~

~~example is disclosure of whether an entity applies the fair value or cost model to its investment property (see the Standard of GRAP on *Investment Property* (GRAP 16)). Some Standards of GRAP specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, GRAP 17 requires disclosure of the measurement bases used for classes of property, plant and equipment.~~

.130 [Deleted].

.131 <u>[Deleted].</u>

~~An accounting policy may be significant because of the nature of the entity's operations even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by the Standards of GRAP, but is selected and applied in accordance with GRAP 3.~~

.132 An entity shall disclose, along with its <u>material</u> ~~significant~~ accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph .135), management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Effective date

…

Entities already applying Standards of GRAP

<u>.150E Paragraphs .05, .09, .11, .14, .15, .16, .124, .127 and .132 were amended, paragraphs .127A to .127E were added and paragraphs .128, .129 and .131 were deleted by the Improvements to the Standards of GRAP (2023) issued on Month Year. These amendments are effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2025]. An entity shall apply these amendments prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.</u>

Basis for conclusions

This basis for conclusions gives the Accounting Standards Board's (the Board's) reasons for accepting or rejecting certain proposals related to the presentation of financial statements. This basis for conclusions accompanies, but is not part of, this Standard.

…

Definition of materiality

BC9. The Board undertook an improvements project in 2023 to consider the guidance in IAS 1 on *Presentation of Financial Statements* on material accounting policy information. The project updated references from "significant accounting policies" to "material accounting policies" in the Standards of GRAP. The project did not include revising the definition of materiality to align with IAS 1. This will be considered in a future project for GRAP 1. As a result, the IAS 1 definition of material was not included in paragraph .127 of this Standard.

A2. Amendments to the Standard of GRAP on *Cash Flow Statements*

The changes to the Standard of GRAP on *Cash Flow Statements* (GRAP 2) are:

Type of amendment	**Paragraph reference**	**Summary of proposed amendment**
General Improvements	.51	Amend disclosures to read as "useful additional information that may be disclosed" as opposed to "encouraged disclosures".

Amendments to the Standard of GRAP on *Cash Flow Statements*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 2 are amended:

Other disclosures

…

.51 Additional information may be relevant to users in understanding the financial position and liquidity of an entity. ~~Disclosure of t~~This information~~,~~ together with a commentary by management, ~~is encouraged and~~ may include:

(a) the amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities;

(b) [Deleted];

(c) the amount and nature of restricted cash balances; and

(d) the amount of the cash flows arising from the operating, investing and financing activities of each reportable segment (see the Standard of GRAP on *Segment Reporting*).

Effective date

…

Entities already applying Standards of GRAP

.54C ***Paragraph .51 was amended by the Improvements to the Standards of GRAP (2023) issued on Month Year. This amendment is effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2025]. An entity shall apply this amendment prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply this amendment earlier, it shall disclose this fact.***

A3. Amendments to the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors*

The changes to the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* (GRAP 3) are:

Type of amendment	**Paragraph reference**	**Summary of proposed amendment**
General Improvements	.32A	Clarify that the requirements only apply to Standards of GRAP that are not yet effective for which the Minister of Finance has already determined an effective date.
Narrow scope amendments to IAS 8 *Feb 2021*	.04, .34, .34A, .34B, .36, .36A, .40 and .50	Change in the definition of an accounting estimate because the previous definition was not sufficiently clear.

Amendments to the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 3 are amended:

Definitions

.04 The following terms are used in this Standard with the meanings specified:

…

~~A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.~~ Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.

Changes in accounting policies

…

Disclosure

…

.32A The requirements in paragraph .32 apply to the Standards of GRAP that are not yet effective for which the Minister of Finance has determined an effective date.

…

~~Changes in accounting~~ Accounting estimates

.34 ~~As a result of the uncertainties inherent in delivering services, conducting trading or other activities, many items in financial statements cannot be measured with precision but can only be estimated.~~ An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity determines an accounting estimate to achieve the objective set out by the accounting policy. Determining accounting estimates involves the use of judgements or assumptions ~~Estimation involves judgements~~ based on the latest available, reliable information. ~~For example, estimates may be required of~~ Examples of accounting estimates include:

(a) tax revenue due to government, applying the Standard of GRAP on *Revenue from Non-exchange Transactions (Taxes and Transfers)*;

(b) a loss allowance for expected credit losses, applying the Standard of GRAP on *Financial Instruments* ~~arising from uncollected taxes~~;

(c) the net realisable value of an item of inventory, applying the Standard of GRAP on *Inventories* ~~inventory obsolescence~~;

(d) the fair value of financial assets and financial liabilities, applying the Standard of GRAP on *Financial Instruments*;

(e) the depreciation expense for an item of property, plant and equipment, applying the Standard of GRAP on *Property, Plant and Equipment*~~the useful lives of, or expected pattern of consumption of economic benefits or service potential embodied in, depreciable assets or the percentage completion of road construction~~; and

(f) a provision for warranty obligations applying the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets*.

.34A An entity uses measurement techniques and inputs to determine an accounting estimate. Measurement techniques include estimation techniques (for example, techniques used to measure a loss allowance for expected credit losses applying the Standard of GRAP on *Financial Instruments* and valuation techniques (for example, depreciated replacement cost used to measure the value in use of a non-cash generating asset applying the Standard of GRAP on *Impairment of Non-cash-generating Assets)*.

.34B The term "estimate" in Standards of GRAP sometimes refers to an estimate that is not an accounting estimate as defined in this Standard. For example, it sometimes refers to an input used in determining accounting estimates.

…

Changes in accounting estimates

.36 An entity may need to change an accounting estimate ~~may need revision~~ if changes occur in the circumstances on which the accounting estimate was based or as a result of new information, new developments or more experience. By its nature, a change in accounting ~~the revision of an~~ estimate does not relate to prior periods and is not the correction of an error.

.36A The effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates unless they result from the correction of prior period errors.

…

<u>Applying changes in accounting estimates</u>

.40 Prospective recognition of the effect of a change in an accounting estimate means that the change is applied to transactions, other events and conditions from the date of ~~the~~ <u>that</u> change~~ in estimate~~. A change in an accounting estimate may affect only the current period's surplus or deficit or the surplus or deficit of both the current period and future periods. For example, a change in <u>a loss allowance for expected credit losses</u> ~~the estimate of the amount of bad debts~~ affects only the current period's surplus or deficit and is therefore recognised in the current period. However, a change in the estimated useful life of or the expected pattern of consumption of economic benefits or service potential embodied in a depreciable asset affects the depreciation expense for the current period and for each future period during the asset's remaining useful life. In both cases, the effect of the change relating to the current period is recognised as revenue or expense in the current period. The effect, if any, on future periods is recognised as revenue or expense in those future periods.

Errors

…

Limitations on retrospective restatement

.50 Corrections of errors are distinguished from changes in accounting estimates. Accounting estimates by their nature are approximations that may need <u>changing</u> ~~revision~~ as additional information becomes known. For example, the gain or loss recognised on the outcome of a contingency is not the correction of an error.

Effective date

…

Entities already applying Standards of GRAP

<u>***.57B***</u> <u>***Paragraphs .04, .34, .36, .40 and .50 were amended and paragraphs .32A, .34A, .34B and .36A were added by the Improvements to the Standards of GRAP (2023) issued on Month Year. These amendments are effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2025]. An entity shall apply these amendments prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.***</u>

A4. Amendments to the Standard of GRAP on *Borrowing Costs*

The changes to the Standard of GRAP on *Borrowing Costs* (GRAP 5) are:

Type of amendment	**Paragraph reference**	**Summary of proposed amendment**
Amendments to the IPSAS on Borrowing Costs (IPSAS 5) – Non-authoritative Guidance 2021	Illustrative Examples	Add the Illustrative Examples in IPSAS 5 to GRAP 5.

Amendments to the Standard of GRAP on *Borrowing Costs*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 5 are amended:

Illustrative Examples

This appendix is illustrative only and does not form part of this Standard. The purpose of this appendix is to illustrate the application of this Standard and to assist in clarifying its meaning.

Qualifying asset constructed over a period of time

IE1. On 31 March 20X1, Municipality XYZ begins construction of a tunnel to accommodate transit between two commercial hubs. The construction period is 5 years and the project is budgeted to cost R100 million (R20 million is paid to the construction company on the date the construction begins and on 31 March of each subsequent year during the construction period). Municipality XYZ issues a 25-year R100 million bond on 31 March 20X1 that yields a fixed coupon of 5 percent per annum. This bond was issued specifically to finance the construction of this project. The Municipality has a 30 June year end and earns a rate of interest of 3 percent on the temporary investment of any excess borrowings.

IE2. On 30 June 20X1, the Municipality has accrued borrowing costs of R1.25 million (R100 million x 5 percent x 3/12 months).

IE3. In determining the borrowing costs that can be included in the cost of the tunnel, the Municipality is limited to capitalising the borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings.

IE4. At 30 June 20X1, Municipality XYZ recognises its tunnel asset as a work in progress. The amount capitalised is R20.65 million (R20 million + [R100 million x 5 percent x 3/12 months] – [R80 million x 3 percent x 3/12 months]). This represents the funds transferred to the construction company and the borrowing costs incurred during the period less the investment income earned on the R80 million invested.

Centralised borrowing program – eligible borrowing costs

IE5. The Department of Roads and Transport begins construction of a new road network on 15 June 20X1. The project costs are budgeted to be R500 million. All financing required by the Department of Roads and Transport, and all other government departments, is secured centrally by the National Treasury.

IE6. The National Treasury estimates its cash flow needs on an annual basis in order to determine the most appropriate source of funding to meet its internal lending needs. These sources include tax revenue, fee revenue, bond issuances and loans.

IE7. The Department of Roads and Transport negotiates a 10-year loan from the National Treasury. The National Treasury requires the Department of Roads and Transport to pay borrowing costs of 3 percent per annum. This is consistent with the market rate of interest the Department of Roads and Transport would incur if the arrangement was negotiated at arm's length.

IE8. When the Department of Roads and Transport secures financing from the National Treasury, the Department of Roads and Transport is aware borrowings comprise various sources, but has no visibility of how the National Treasury sources the funds, nor of the weighted average borrowing costs the National Treasury incurs.

IE9. In determining the borrowing costs eligible for inclusion in the cost of the road network, the Department of Roads and Transport includes only those borrowing costs which it itself has incurred. Because the loan is at market terms, the Department of Roads and Transport concludes there are no concessionary elements and determines borrowing costs eligible for inclusion in the cost of the road network are based on the interest rate of 3 percent stated in the contract.

General borrowing – weighted average cost of borrowing

IE10. State Owned Entity (SOE) T has begun construction of a new airport. The cost of this airport is budgeted to be R500 million. SOE T manages its own borrowings; however, it does not borrow for specific projects. In determining its borrowing needs, SOE T budgets its cash shortfall over a given period and ensures borrowings will cover its liquidity needs.

IE11. Over the construction period, SOE T held three instruments that were open for the entire construction period:

- Government bonds – R1 billion, yielding an annual rate of 5 percent;
- Loan with Financial Institution A – R300 million, with an annual interest rate of 7 percent; and
- Loan with Financial Institution B – R600 million, with an annual interest rate of 9 percent.

IE12. In determining the amount of borrowing costs eligible for inclusion in the cost of the airport, SOE T calculates the weighted average of the borrowing costs applicable to all borrowings of the entity outstanding during the period.

	A **Principal**	**B** **Interest rate**	**C** **Proportion of debt**	**D = B x C** **Weighted average**
Government bonds	R1 000 million	5 percent	1 000/1 900	2.63
Loan A	R300 million	7 percent	300/1 900	1.11
Loan B	R600 million	9 percent	600/1 900	2.84
Weighted average interest rate				**6.58 percent**

IE13. SOE T calculates the weighted average of the borrowing costs applicable to all borrowings of the entity outstanding during the period to be 6.58 percent.

Specific borrowing – borrowing for part of qualifying asset's amount

IE14. State Owned Entity (SOE) C began construction of a new road network on 1 January 20X1. The cost of this road network is budgeted to be R750 million. SOE C funds this project with amounts received on 1 January 20X1 from two sources:

- Government grant in the amount of R500 million; and
- Loan from a financial institution of R250 million, with an annual interest rate of 5 percent.

In order to receive the grant, SOE C was required to show it was able to secure financing. It is SOE C's policy to allocate borrowed funds to the construction of the qualifying asset first. SOE C earns a rate of interest of 3 percent on the temporary investment of any excess borrowings.

IE15. As at 13 December 20X1, SOE C has incurred outlays of R200 million as part of the construction of the asset. These outlays were transferred in one lump sum payment to the construction company at the commencement of construction on 1 January 20X1. In addition to the outlays of R200 million, SOE C capitalises R11 million ([R250 million x 5 percent] – [R50 million x 3 percent]) in borrowing costs, against the qualifying asset.

IE16. Because SOE C borrowed R250 million for the purposes of obtaining the road network, but has only incurred outlays related to that qualifying asset in the amount of R200 million, SOE C was able to earn interest revenue on the excess funds borrowed. SOE C capitalised borrowing costs incurred during the period of R12.5 million less the investment income of R1.5 million on the temporary investment of those borrowings.

A5. Amendments to the Standard of GRAP on *Leases*

The changes to the Standard of GRAP on *Leases* (GRAP 13) are:

Type of amendment	**Paragraph reference**	**Summary of proposed amendment**
General Improvements	.58	Remove encouraged disclosures with limited information value.

Amendments to the Standard of GRAP on *Leases*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 13 are amended:

Leases in the financial statements of lessors

Finance leases

…

Disclosures

…

.58 [Deleted].

~~As an indicator of growth in leasing activities it is often useful also to disclose the gross investment less unearned revenue in new business added during the accounting period, after deducting the relevant amounts for cancelled leases.~~

Effective date

…

Entities already applying Standards of GRAP

.81B Paragraph .58 was deleted by the Improvements to the Standards of GRAP (2023) issued on Month Year. This amendment is effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2025]. An entity shall apply this amendment prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply this amendment earlier, it shall disclose this fact.

A6. Amendments to the Standard of GRAP on *Property, Plant and Equipment*

The changes to the Standard of GRAP on *Property, Plant and Equipment* (GRAP 17) are:

Type of amendment	**Paragraph reference**	**Summary of proposed amendment**
Improvements to IPSAS 2021	.22, .25A, .86 and .86A	Amendments are made to prohibit proceeds from selling items produced before that asset is available, to be deducted from the cost of property, plant and equipment.

Amendments to the Standard of GRAP on *Property, Plant and Equipment*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 17 are amended:

Measurement at recognition

…

Elements of cost

…

.22 Examples of directly attributable costs are:

(a) costs of employee benefits (as defined in the Standard of GRAP on *Employee Benefits*) arising directly from the construction or acquisition of the item of property, plant and equipment;

(b) costs of site preparation;

(c) initial delivery and handling costs;

(d) installation and assembly costs;

(e) costs of testing whether the asset is functioning properly (i.e. assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes)~~, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment)~~; and

(f) professional fees.

…

.25A Items may be produced while bringing an item of property, plant, and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly). An entity recognises the proceeds from selling any such items, and the cost of those items, in surplus or deficit in accordance with applicable Standards of GRAP. The entity measures the cost of those items applying the measurement requirements of the Standard of GRAP on *Inventories*.

Disclosure

…

.86 ***The financial statements shall also disclose for each class of property, plant and equipment recognised in the financial statements:***

(a) the existence and amounts of restrictions on title and property, plant and equipment pledged as securities for liabilities; <u>and</u>

(b) the amount of contractual commitments for the acquisition of property, plant and equipment<u>.</u>~~; and~~

(c) <u>[Deleted].</u>
~~if it is not disclosed separately on the face of the statement of financial performance, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in surplus or deficit.~~

<u>.86A If not presented separately in the statement of financial performance, the financial statements shall also disclose:</u>

<u>(a) the amount of compensation from third parties for items of property, plant, and equipment that were impaired, lost or given up that is included in surplus or deficit; and</u>

<u>(b) the amounts of proceeds and cost included in surplus or deficit in accordance with paragraph 25A that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of financial performance include(s) such proceeds and cost.</u>

Effective date

…

Entities already applying Standards of GRAP

<u>.102D Paragraph .22 was amended, paragraphs .25A and .86A were added and paragraph .86(c) was deleted by the Improvements to the Standards of GRAP (2023) issued on Month Year. These amendments are effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2025]. An entity shall apply these amendments retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, but only to items of property, plant, and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period</u>

<u>presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.</u>

A7. Amendments to the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets*

The changes to the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets* (GRAP 19) are:

Type of amendment	Paragraph reference	Summary of proposed amendment
General Improvements	.104	Remove encouraged disclosures with limited information value.

Amendments to the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets*

Amended text is shown with new text underlined and deleted test struck through. The following paragraphs in GRAP 19 are amended:

Disclosure

…

.104 [Deleted].

~~An entity may in certain circumstances use an external valuation to measure a provision. In such cases, information relating to the valuation can usefully be disclosed.~~

Effective date

…

Entities already applying Standards of GRAP

.115C Paragraph .104 was deleted by the Improvements to the Standards of GRAP (2023) issued on Month Year. This amendment is effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2025]. An entity shall apply this amendment prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply this amendment earlier, it shall disclose this fact.

A8. Amendments to the Standard of GRAP on *Related Party Disclosures*

The changes to the Standard of GRAP on *Related Party Disclosures* (GRAP 20) are:

Type of amendment	**Paragraph reference**	**Summary of proposed amendment**
General Improvements	.10	Update the definition of "significant influence" to align with the Standard of GRAP on *Investments in Associates and Joint Ventures* (GRAP 36).

Amendments to the Standard of GRAP on *Related Party Disclosures*

Amended text is shown with new text underlined and deleted test struck through. The following paragraphs in GRAP 20 are amended:

Definitions

.10 The following terms are used in this Standard with the meanings specified:

…

Significant influence is the power to participate in the financial and operating policy decisions of ~~an~~ <u>another</u> entity~~,~~ but is not control <u>or joint control of</u> ~~over~~ those policies.

Effective date

…

Entities already applying Standards of GRAP

<u>.39C Paragraph .10 was amended by the Improvements to the Standards of GRAP (2023) issued on Month Year. This amendment is effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2025]. An entity shall apply this amendment retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply this amendment earlier, it shall disclose this fact.</u>

A9. Amendments to the Standard of GRAP on *Revenue from Non-exchange Transactions (Taxes and Transfers)*

The changes to the Standard of GRAP on *Revenue from Non-exchange Transactions (Taxes and Transfers)* (GRAP 23) are:

Type of amendment	**Paragraph reference**	**Summary of proposed amendment**
General Improvements	.120	Remove encouraged disclosures with limited information value.

Amendments to the Standard of GRAP on *Revenue from Non-exchange Transactions (Taxes and Transfers)*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 23 are amended:

Disclosures

…

.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).~~

Effective date

…

Entities already applying Standards of GRAP

.128C ***Paragraph .120 was amended by the Improvements to the Standards of GRAP (2023) issued on Month Year. This amendment is effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2025]. An entity shall apply this amendment prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply this amendment earlier, it shall disclose this fact.***

A10. Amendments to the Standard of GRAP on *Presentation of Budget Information in Financial Statements*

The changes to the Standard of GRAP on *Presentation of Budget Information in Financial Statements* (GRAP 24) are:

Type of amendment	**Paragraph reference**	**Summary of proposed amendment**
General Improvements	.01, .03, .04 and .05A	Provide clarity to the terms "publicly available" and "publicly accountable"
Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) *Feb 2021*	.41	Disclosure of Accounting Policies: Changes from "significant accounting policies" to "material accounting policies" because the Standards of GRAP do not define the term "significant".
General Improvements	.46, .46A, .46B	Simplify the disclosures on the presentation of a reconciliation to improve the quality of reporting, by not prescribing the line items to reconcile to.
General Improvements	Illustrative Examples	Re-instate the Illustrative Examples that were deleted when GRAP 24 became effective.

Amendments to the Standard of GRAP on *Presentation of Budget Information in Financial Statements*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 24 are amended:

Objective

.01 This Standard requires a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are~~, therefore,~~ held publicly accountable. This Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts. Compliance with the requirements of this Standard will ensure that entities discharge their accountability obligations and enhance the transparency of their financial statements by demonstrating compliance with the approved budget(s) for which they are held publicly accountable and, where the budget(s) and the financial statements are prepared on the same basis, their financial performance in achieving the budgeted results.

Scope

…

.03 This Standard applies to entities that are required, or elect, to make publicly available their approved budget(s)~~.~~ for which they are held publicly accountable.

.04 For purposes of this Standard, budgets are made publicly available when:

a) they have been approved~~,~~; and

b) made available, by the entity itself, to the public at large by:

(i) tabling in Parliament, legislatures or municipal councils~~.~~; or

(ii) made public through its own actions for example by inclusion in a publication, website or other media.

This Standard does not require approved budgets to be made publicly available, nor does it require that the financial statements disclose information about, or make comparisons with, approved budgets that are not made publicly available.

…

.05A Entities are held publicly accountable for their budgets when there is an expectation of public oversight in approving and monitoring their budgets. Public oversight must be exercised by the relevant authority who approves their budgets being Parliament, the legislatures or municipal councils. For example:

(a) Public entity X made its budget publicly available through its own actions by publishing it on its website. The public entity's budget is part of the relevant departmental budget, and represents a single line item (usually called a budget vote) in the departmental budget. The departmental budget is tabled and approved by the legislature. In this instance, the oversight by the legislature is on the department's budget rather than the individual public entity's budget. Therefore, public entity X is not publicly accountable for its budget and is not required to apply this Standard;

(b) Public entity Y made its budget publicly available through its own actions by publishing its budget on its website. The entity's budget is approved by its Board of Directors and the relevant Minister. There is no approval by Parliament or the legislature. Public Entity Y is accountable to its Board for its budget. In this instance, oversight is exercised by the Board and not by Parliament or the legislature. Therefore, public entity Y is not publicly accountable for its budget and is not required to apply this Standard.

Note disclosures of budgetary basis, period and scope

.41 GRAP 1 requires entities to present, in notes to the financial statements, information about the basis of preparation of the financial statements and the ~~significant~~ material accounting policies ~~adopted~~. Disclosure of the budgetary basis and classification basis adopted for the preparation and presentation of approved budgets will assist users to understand better the relationship between the budget and accounting information disclosed in the financial statements.

Reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements

.46 The actual amounts presented on a comparable basis to the budget in accordance with paragraph .30 shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the ~~following~~ actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences~~:~~.

~~***(a) if the accrual basis is adopted for the budget, total revenues, total expenses and net cash flows from operating activities, investing activities and financing activities; or***~~

~~***(b) if a basis other than the accrual basis is adopted for the budget, net cash flows from operating activities, investing activities and financing activities.***~~

The reconciliation shall be disclosed on the face of the statement of comparison of budget and actual amounts or in the notes to the financial statements.

.46A Entities should determine how to present the reconciliation based on what will be useful to the users of financial statements.

.46B To achieve the requirements in paragraph .46, an entity may:

(a) where the accrual basis is adopted for the budget, reconcile the actual amounts on a comparable basis to the actual amounts for total revenues, total expenses and net cash flows from operating activities, investing activities and financing activities; or

(b) where a basis other than the accrual basis is adopted for the budget, reconcile the actual amounts on a comparable basis to the actual amounts for net cash flows from operating activities, investing activities and financing activities.

Effective date

…

Entities already applying Standards of GRAP

.54B Paragraphs .01, .03, .04, .41 and .46 were amended and paragraphs .05A, .46A and .46B were added by the Improvements to the Standards of GRAP (2023) issued on Month Year. These amendments are effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2025]. An entity shall apply these amendments prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Appendix A - Illustrative examples

This appendix accompanies but is not part of the Standard of GRAP. The purpose of this appendix is to illustrate the application of the Standard and to assist in clarifying its meaning.

A. Statement of Comparison of Budget and Actual Amounts – budget on cash basis

B. Additional column approach – both annual budget and financial statements on accrual basis

C. Additional column approach – both annual budget and financial statements on accrual basis – no changes to the original budget

D. Extract of note disclosures

A. Statement of Comparison of Budget and Actual Amounts for Municipality XX for the year ended 31 March 20XX Budget on cash basis

Note: The budget and the accounting bases are different. This Statement of Comparison of Budget and Actual Amounts prepared on the budget basis.

(in Rands)	**Approved**	**Final**	**Actual Amounts on Comparable Basis**	***Difference: Final Budget and Actual***
RECEIPTS				
Taxation	X	X	X	X
Aid agreements	X	X	X	X
Other grants and aid	X	X	X	X
Proceeds: Borrowings	X	X	X	X
Proceeds: Disposal of plant and equipment	X	X	X	X
Other receipts	X	X	X	X
Total receipts	**X**	**X**	**X**	**X**
PAYMENTS				
Health	(X)	(X)	(X)	(X)
Safety and security	(X)	(X)	(X)	(X)
Social development	(X)	(X)	(X)	(X)
Housing	(X)	(X)	(X)	(X)
Sports and recreation	(X)	(X)	(X)	(X)
Other	(X)	(X)	(X)	(X)
Total payments	**(X)**	**(X)**	**(X)**	**(X)**
NET RECEIPTS/(PAYMENTS)	**X**	**X**	**X**	**X**

B. Additional column approach for Municipality YY for the year ended 31 March 20X2

Both annual budget and financial statements adopt accrual basis

(Illustrated only for Statement of Financial Performance. Similar presentation would be adopted for other financial statements.)

Actual 20X1	(in Rands)	**Actual 20X2**	**Approved Budget 20X2**	**Adjustments**	**Final Budget 20X2**	***Difference: Final Budget and Actual***
	Revenue					
X	Taxes	X	X	X	X	X
X	Fees, fines, penalties and licences	X	X	X	X	X
X	Revenue from exchange transactions	X	X	X	X	X
X	Transfers from other entities	X	X	X	X	X
X	Other operating revenue	X	X	X	X	X
X	**Total revenue**	**X**	**X**	**X**	**X**	**X**
	Expenses					
(X)	Personnel	(X)	(X)	(X)	(X)	(X)
(X)	Administrative	(X)	(X)	(X)	(X)	(X)
(X)	Transfer payments	(X)	(X)	(X)	(X)	(X)
(X)	Depreciation/ Amortisation expense	(X)	(X)	(X)	(X)	(X)
(X)	Miscellaneous	(X)	(X)	(X)	(X)	(X)
(X)	Finance costs	(X)	(X)	(X)	(X)	(X)
(X)	**Total expenses**	**(X)**	**(X)**	**(X)**	**(X)**	**(X)**
X	Share of surplus of associates	X	X	X	X	X
X	**Surplus/(Deficit) for the period**	**X**	**X**	**X**	**X**	**X**
	Attributable to:					
X	Net asset holder of the controlling entity	X	X	X	X	X
X	Non-controlling interest	X	X	X	X	X
X		**X**	**X**	**X**	**X**	**X**

C. Additional column approach for Entity YY for the year ended 31 March 20X2

Both annual budget and financial statements adopt accrual basis

(Illustrated only for Statement of Financial Performance. Similar presentation would be adopted for other financial statements.)

Actual 20X1	(in Rands)	Actual 20X2	Approved Budget 20X2	*Difference: Approved Budget and Actual*
	Revenue			
X	Taxes	X	X	X
X	Fees, fines, penalties and licences	X	X	X
X	Revenue from exchange transactions	X	X	X
X	Transfers from other governments	X	X	X
X	Other operating revenue	X	X	X
X	**Total revenue**	**X**	**X**	**X**
	Expenses			
(X)	Personnel	(X)	(X)	(X)
(X)	Administrative	(X)	(X)	(X)
(X)	Transfer payments	(X)	(X)	(X)
(X)	Depreciation/Amortisation expense	(X)	(X)	(X)
(X)	Miscellaneous	(X)	(X)	(X)
(X)	Finance costs	(X)	(X)	(X)
(X)	**Total expenses**	**(X)**	**(X)**	**(X)**
X	Share of surplus of associates	X	X	X
X	**Surplus/(Deficit) for the period**	**X**	**X**	**X**
	Attributable to:			
X	Net Asset holder of the controlling entity	X	X	X
X	Non-controlling interest	X	X	X
X		**X**	**X**	**X**

D. Extract of note disclosures - for Entity X

(Entity X presents its approved budget on a cash basis and the financial statements on the accrual basis)

1. The budget is approved on a cash basis by functional classification. The approved budget covers the reporting period from 1 April 20X1 to 31 March 20X2 and is for Entity X only. The financial statements are prepared for the economic entity and includes all entities identified in note xx (prepared in accordance with the Standard of GRAP on *Consolidated Financial Statements*).

2. The excess of actual expenditure over the final budget of 15% for the Personnel function was due to expenditures above the level approved in response to the wage demand protests. There were no other material differences between the final budget and the actual amounts.

3. The budget and the accounting bases differ. The financial statements are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The financial statements are consolidated statements that include all controlled entities for the reporting period from 1 April 20X1 to 31 March 20X2. The financial statements differ from the budget, which is approved on the cash basis and which deals only with Entity X (the controlling entity).

4. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget.

5. A reconciliation between the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and the actual amounts in the Cash Flow Statement for the Year Ended 31 March 20X2 is presented below. The financial statements and budget documents are prepared for the same period. There is an entity difference: the budget is prepared for Entity X and the financial statements consolidate all entities controlled by Entity X. There is also a bases difference: the budget is prepared on a cash basis and the financial statements on the accrual basis.

	Operating	Financing	Investing	Total
Actual amount on a comparable basis in the Statement of Comparison of Budget and Actual Amounts	X	X	X	X
Bases differences:				
- Budget on a cash basis	X	X	X	X
- Presentation and classification	X	X	X	X
Timing differences	-	-	-	-
Entity differences	X	X	X	X
Actual amount in the Cash Flow Statement	X	X	X	X

(This reconciliation could be included on the face of the Statement of Comparison of Budget and Actual Amounts or as a note disclosure.)

…

Comparison with the International Public Sector Accounting Standard on *Presentation of Budget Information in Financial Statements* (December 2006)

This Standard is drawn primarily from IPSAS 24. The main differences between this Standard and IPSAS 24 are as follows:

…

- Commentary has been included to explain “publicly available” and “publicly accountable’’.

A11. Amendments to the Standard of GRAP on *Agriculture*

The changes to the Standard of GRAP on *Agriculture* (GRAP 27) are:

Type of amendment	**Paragraph reference**	**Summary of proposed amendment**
General Improvements	.40 and .41	Remove encouraged disclosures and repackage it as “useful information” in another section of the Standard.

Amendments to the Standard of GRAP on *Agriculture*

Amended text is shown with new text underlined and deleted text struck through. The following paragraphs in GRAP 27 are amended:

Recognition and measurement

…

.27A An entity should consider whether it is useful to distinguish between mature and immature biological assets. Mature biological assets are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets). The distinction provides information that may be helpful in assessing the timing of future cash flows and service potential.

…

Disclosure

General

…

.40 [Deleted].

~~In making the disclosures required by paragraph .37, an entity is also encouraged to distinguish between mature and immature biological assets, as appropriate. These distinctions provide information that may be helpful in assessing the timing of future cash flows and service potential. An entity discloses the basis for making any such distinctions.~~

.41 [Deleted].

~~Mature biological assets are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets.)~~

Effective date

…

Entities already applying Standards of GRAP

.57B ***Paragraph .27A was added and paragraphs .40 and .41 were deleted by the Improvements to the Standards of GRAP (2023) issued on Month Year. These amendments are effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2025]. An entity shall apply these amendments***

prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.

A12. Amendments to the Standard of GRAP on *Intangible Assets*

The changes to the Standard of GRAP on *Intangible Assets* (GRAP 31) are:

Type of amendment	**Paragraph reference**	**Summary of proposed amendment**
General Improvements	.04	Clarify when the Standard of GRAP on *Service Concession Arrangements: Grantor* (GRAP 32) is applicable.
General Improvements	.117	Remove reference to fully depreciated assets.
General Improvements	.129	Remove encouraged disclosures with limited information value.

Amendments to the Standard of GRAP on *Intangible Assets*

Amended text is shown with new text underlined and deleted test struck through. The following paragraphs in GRAP 31 are amended:

Scope

…

.04 If another Standard of GRAP prescribes the accounting for a specific type of intangible asset, an entity applies that Standard instead of this Standard. For example, this Standard does not apply to:

…

(f) ~~intangible assets after its~~ <u>the</u> initial recognition and measurement <u>of intangible assets</u> in accordance with the Standard of GRAP on *Service Concession Arrangements: Grantor* (GRAP 32).

Retirements and disposals

…

.117 Amortisation of an intangible asset with a finite useful life does not cease when the intangible asset is no longer used~~, unless the asset has been fully depreciated~~.

Disclosure

…

Other information

.129 <u>[Deleted].</u>
~~An entity is encouraged, but not required, to disclose a brief description of significant intangible assets controlled by the entity but not recognised as assets because they did not meet the recognition criteria in this Standard.~~

Effective date

…

Entities already applying Standards of GRAP

<u>.134C</u> ***<u>Paragraphs .04 and .117 were amended and paragraph .129 was deleted by the Improvements to the Standards of GRAP (2023) issued on Month Year. These amendments are effective for annual periods beginning on or after Day Month</u>***

Year [proposed as 1 April 2025]. An entity shall apply these amendments prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.

A13. Amendments to the Standard of GRAP on *Financial Instruments (2019)*

The changes to the Standard of GRAP on *Financial Instruments* (GRAP 104) are:

Type of amendment	**Paragraph reference**	**Summary of proposed amendment**
Improvements to IPSAS 2021	5.16A to 5.16E	Interest Rate Benchmark Reform - Amendments to provide a practical expedient not to treat changes in contractual cash flows as a modification.
Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) *Feb 2021*	8.3 and AG8.1	Disclosure of Accounting Policies: Changes from "significant accounting policies" to "material accounting policies" because the Standards of GRAP do not define the term "significant".
General Improvements	8.31	Remove encouraged disclosures with limited information value.
Improvements to IPSAS 2021	AG6.20 and AG6.20A	Amendments to clarify the fees that an entity includes when it applies the "10 percent" test to derecognise a financial liability.

Amendments to the Standard of GRAP on *Financial Instruments (2019)*

Amended text is shown with new text underlined and deleted text struck through. The following amendments are made in GRAP 104:

Amortised cost measurement

Financial assets

…

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

5.16A ***An entity shall apply paragraphs 5.16B to 5.16E to a financial asset or financial liability if, and only if, the basis for determining the contractual cash flows of that financial asset or financial liability changes as a result of interest rate benchmark reform[4].***

5.16B The basis for determining the contractual cash flows of a financial asset or financial liability can change:

(a) by amending the contractual terms specified at the initial recognition of the financial instrument (for example, the contractual terms are amended to replace the referenced interest rate benchmark with an alternative benchmark rate);

(b) in a way that was not considered by, or contemplated in, the contractual terms at the initial recognition of the financial instrument, without amending the contractual terms (for example, the method for calculating the interest rate benchmark is altered without amending the contractual terms); and/or

(c) because of the activation of an existing contractual term (for example, an existing fallback clause is triggered).

5.16C ***As a practical expedient, an entity shall apply Appendix A paragraph AG5.54 to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform. This practical expedient applies only to such changes and only to the extent the change is required by interest rate benchmark reform (see also paragraph 5.16E). For this purpose, a change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if, and only if, both these conditions are met:***

[4] The market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board's July 2014 report, 'Reforming Major Interest Rate Benchmarks'.

(a) ***the change is necessary as a direct consequence of interest rate benchmark reform; and***

(b) ***the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).***

5.16D Examples of changes that give rise to a new basis for determining the contractual cash flows that is economically equivalent to the previous basis (i.e. the basis immediately preceding the change) are:

(a) the replacement of an existing interest rate benchmark used to determine the contractual cash flows of a financial asset or financial liability with an alternative benchmark rate, or the implementation of such a reform of an interest rate benchmark by altering the method used to calculate the interest rate benchmark, with the addition of a fixed spread necessary to compensate for the basis difference between the existing interest rate benchmark and the alternative benchmark rate;

(b) changes to the reset period, reset dates or the number of days between coupon payment dates in order to implement the reform of an interest rate benchmark; and

(c) the addition of a fallback provision to the contractual terms of a financial asset or financial liability to enable any change described in (a) and (b) above to be implemented.

5.16E If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, an entity shall first apply the practical expedient in paragraph 5.16C to the changes required by interest rate benchmark reform. The entity shall then apply the applicable requirements in this Standard to any additional changes to which the practical expedient does not apply. If the additional change does not result in the derecognition of the financial asset or financial liability, the entity shall apply paragraph 5.15 or Appendix A paragraph AG5.55, as applicable, to account for that additional change. If the additional change results in the derecognition of the financial asset or financial liability, the entity shall apply the derecognition requirements.

Chapter 8 – Disclosure

Disclosure

…

Accounting policies

8.3 ***In accordance with paragraph .124 of GRAP 1, an entity discloses its ~~significant~~ material accounting policies. ~~comprising, the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.~~ The material accounting policies are expected to include information about the measurement basis (or bases) for financial instruments used in preparing the financial statements.***

…

Notes to the financial statements

Fair value disclosures

8.31 [Deleted].

~~The disclosure of the fair values of financial instruments measured at amortised cost is encouraged, but not required. Where an entity elects to disclose the fair values of financial instruments measured at amortised cost, it applies paragraph 8.32.~~

…

Effective date

Initial adoption of the Standards of GRAP

…

Entities already applying Standards of GRAP

9.2A Paragraphs 5.16A to 5.16E were added by the Improvements to the Standards of GRAP (2023) issued on Month Year. These amendments are effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2025]. An entity shall apply these amendments retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. An entity is required to apply the amendments retrospectively if, and only if, that is possible without the use of hindsight. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.

9.2B Paragraph 8.3 was amended by the Improvements to the Standards of GRAP (2023) issued on Month Year. The amendment is effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2025]. An entity shall apply the amendment prospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity elects to apply the amendment earlier, it shall disclose this fact.

Appendix A Application Guidance

Amended text is shown with new text underlined and deleted text struck through. The following amendments have been made in GRAP 104:

Derecognition of financial liabilities (Paragraphs 6.16 to 6.19)

…

AG6.20 For the purpose of paragraph 6.17, the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. ~~If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.~~ In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

AG6.20A If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Chapter 8 – Disclosure

Accounting policies

AG8.1 Paragraph 8.3 requires disclosure of material accounting policies, which is expected to include information about the measurement basis (or bases) for financial instruments. ~~used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.~~ For financial instruments, such disclosure may include:

…

Paragraph .132 of GRAP 1 also requires entities to disclose, ~~in the summary of significant~~ along with its material accounting policies or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

A14. Amendments to the Interpretation of the Standards of GRAP on *Accounting for Adjustments to Revenue*

The changes to the Interpretation of the Standards of GRAP on *Accounting for Adjustments to Revenue* (IGRAP 20) are:

Type of amendment	**Paragraph reference**	**Summary of proposed amendment**
Narrow scope amendments to IAS 8 *Feb 2021*	.12 and BC8.	Change in the definition of an accounting estimate because the previous definition was not sufficiently clear.

Amendments to the Interpretation of the Standards of GRAP on *Accounting for Adjustments to Revenue*

Amended text is shown with new text underlined and deleted text struck through. The following amendments are made in IGRAP 20:

Consensus

General

…

.12 GRAP 3 defines ~~a change in an~~ accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty ~~an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities~~".

Effective date

…

.20A Paragraph .12 was amended by the *Improvements to the Standards of GRAP (2023)* issued on Month Year. The amendment is effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2025]. An entity shall apply the amendment prospectively in accordance with the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors*. Earlier application is permitted. If an entity elects to apply the amendment earlier, it shall disclose this fact.

Basis for conclusions

Basis for consensus

Changes in accounting estimates

BC8. GRAP 3 defines changes in accounting estimates in relation to an adjustment to the carrying amount of an asset or liability, or the periodic consumption of the asset. Even though the definition focuses on assets and liabilities, the guidance on how to account for changes in accounting estimates, applies equally to changes in the revenue and expenses arising from the change in the measurement of the related asset or liability. The principles in GRAP 3 on accounting for changes in accounting estimates have therefore been applied in providing guidance on adjustments to revenue already recognised.

BC8A. The definition of accounting estimates in GRAP 3 has been changed with the *Improvements to Standards of GRAP (2023).* However, this has no effect on the principles in this IGRAP.

A15. Amendments to the Directive on *The Selection of an Appropriate Reporting Framework by Public Entities*

The changes to the Directive on *The Selection of an Appropriate Reporting Framework by Public Entities* (Directive 12) are:

Type of amendment	**Paragraph reference**	**Summary of proposed amendment**
Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) *Feb 2021*	.30	Disclosure of Accounting Policies: Changes from "significant accounting policies" to "material accounting policies" because the Standards of GRAP do not define the term "significant".

Amendments to the Directive on *The Selection of an Appropriate Reporting Framework by Public Entities*

Amended text is shown with new text underlined and deleted text struck through. The following amendments are made in Directive 12:

Disclosures

.30 An entity shall disclose, in <u>its material</u> ~~the summary of significant~~ accounting policies or other notes, the judgements management has made in applying the criteria to determine the appropriate reporting framework.

Effective date

…

<u>.32A Paragraph .30 was amended by the *Improvements to the Standards of GRAP (2023)* issued on Month Year. The amendment is effective for annual periods beginning on or after Day Month Year [proposed as 1 April 2025]. An entity shall apply the amendment prospectively in accordance with the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors*. Earlier application is permitted. If an entity elects to apply the amendment earlier, it shall disclose this fact.</u>

A16. Amendments to the Guideline on *The Application of Materiality to Financial Statements*

The changes to the Guideline on *The Application of Materiality to Financial Statements* are:

Type of amendment	**Paragraph reference**	**Summary of proposed amendment**
Narrow scope amendments to the IAS Standard on Presentation of Financial Statements (IAS 1) *Feb 2021*	Example 1 and Extracts from the Standard of GRAP on *Presentation of Financial Statements* paragraph .132	Disclosure of Accounting Policies: Changes from "significant accounting policies" to "material accounting policies" because the Standards of GRAP do not define the term "significant".
General Improvements	5.7A, 5.28A, 6.3 and 6.10	Amendments resulting from the review of the Standard of GRAP on *Cash Flow Statements* (GRAP 2) and the Standard of GRAP on *Presentation of Budget Information in Financial Statements* (GRAP 24).

Amendments to the Guideline on *The Application of Materiality to Financial Statements*

Amended text is shown with new text underlined and deleted text struck through. The following amendments are made in the Guideline:

3. ROLE OF MATERIALITY IN THE FINANCIAL STATEMENTS

…

Example 1 – Disclosing the judgements applied in assessing materiality

…

Application

Notes to annual financial statements

~~Significant~~ <u>Material</u> accounting policies

The ~~significant~~ <u>material</u> accounting policies applied in the preparation and presentation of these financial statements are set out below. These policies were consistently applied for the years presented.

The entity has considered all the relevant accounting policies in the preparation of its financial statements. These include revenue from non-exchange transactions, operating leases, employee benefits, financial instruments and property, plant and equipment. While the entity has applied all these accounting policies in the preparation of its financial statements, it concluded that it will not provide all the disclosures on financial instruments, operating leases and property, plant and equipment in the financial statements as these are not considered material. In addition, these accounting policies are not included in the financial statements, and these have been published on the entity's website.

The entity assessed that, as it is a regulatory entity, the revenue from non-exchange transactions and employee benefits are material to its operations and are its <u>material</u> ~~significant~~ accounting policies.

5. ASSESSING WHETHER INFORMATION IS MATERIAL

…

Materiality considerations and thresholds

…

5.7 As noted in paragraph 5.5, qualitative considerations and quantitative thresholds can be used to inform many decisions and they should be developed at various levels based on the relevant information in the financial statements. When setting qualitative considerations and quantitative thresholds at various levels (referred to in paragraph 5.3), an entity should set them at an appropriate level with reference to the materiality set for the financial statements as a whole. In this way, the qualitative considerations and quantitative thresholds set for the individual classes of transactions, account balances or disclosures should be sufficiently lower than the materiality set for the financial statements.

5.7A It may also be appropriate to set different levels of materiality for the different components of the financial statements.

…

Individual and collective assessment

…

5.28 Information can be considered to be immaterial individually however it might be material when considered together with other information. If an entity concludes that aggregation is appropriate, it should consider the nature of the items in deciding what to aggregate together. Aggregations can also be assessed at different levels, e.g. for a class of transactions, for line items in the financial statements, or for a sub-total/total presented.

5.28A Where immaterial items are aggregated, these may need to be disaggregated if the total amount is considered material, or if the description is unhelpful to users.

6. APPLYING MATERIALITY IN PREPARING FINANCIAL STATEMENTS

…

Developing accounting policies

6.3 Some Standards of GRAP set out how an item should be recognised, measured and disclosed in the financial statements. In such cases, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* (GRAP 3) explains these accounting policies should not be applied when the effect of the applying them is immaterial[12]. This means that an entity does not need to recognise, measure, present or disclose information in accordance with the specific requirements outlined in the Standards of GRAP if the effect of applying those requirements is immaterial. Entities should not include accounting policies in the financial statements for items that are immaterial. However, this does not mean that the item is not recorded or recognised at all in the financial statements.

…

Assessing what information should be presented and how it should be disclosed

…

Selecting information for presentation and disclosure in the financial statements and notes

…

6.10 Standards of GRAP usually contain a list of specific presentation and disclosure requirements (or describes them as “minimum requirements”) to be provided in the financial statements. An entity is not required to provide those specific presentation and disclosures if the information resulting from them is immaterial. Conversely, the entity should consider whether to provide additional information not specified by the Standards of GRAP if that information is necessary for the users to understand the impact of the particular item on the financial statements[14]. An example of additional information that is useful is the disclosure of the materiality thresholds used when providing explanations of material differences between the budget and actual amounts when applying the Standard of GRAP on *Presentation of Budget Information in Financial Statements.*

…

Extracts from the Standard of GRAP on *Presentation of Financial Statements*

…

Paragraph .132
Referred to in paragraph 3.6 of the Guideline

An entity shall disclose, in its ~~the summary of significant~~ material accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph .135), management has made in the process of applying the entity’s accounting policies that have the most significant effect on the amounts recognised in the financial statements.

ANNEXURE A

EDITORIAL AMENDMENTS TO BE INCLUDED IN THE GRAP HANDBOOK (EFFECTIVE 1 APRIL 2025)

Editorial amendments to the Standards of GRAP

Amended text is shown with new text underlined and deleted text struck through.

GRAP 1 on *Presentation of Financial Statements*

.79 ***As a minimum, the face of the statement of financial position shall include line items that present the following amounts:***

…

(p) financial liabilities (excluding amounts shown under ~~(k)~~(l), ~~(l)~~(m) and ~~(m)~~(n));

.91 ***If, at the reporting date ~~at the reporting date~~, management has taken a decision …***

GRAP 104 on *Financial Instruments (2019)*

1.3 ***This Standard does not apply to the following instruments, except where indicated otherwise:***

…

(d) Rights and obligations arising under insurance contracts within the scope of the IFRS Accounting Standard(s) on insurance. This Standard shall, however, apply to:

…

(iii) the presentation and disclosure of financial instruments that are within the scope of the IFRS Accounting Standard(s) ~~4~~ on insurance since they contain a discretionary participation feature (see paragraphs 7.1 to 8.60 and Appendix A paragraphs AG7.1 to AG8.51); and

(iv) the disclosure of investment components that are separated from contracts within the scope of the IFRS Accounting Standards ~~IFRSs~~ if the IFRS Accounting Standards ~~IFRSs~~ require such separation.

2.1 ***The following terms are used in this Standard with the meanings specified:***

…

Credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased

or originated credit-impaired financial asset. When calculating the credit-adjusted effective interest rate, an entity shall estimate the expected cash flows by considering all contractual terms of the financial asset (for example, prepayment, extension, call and similar options) and expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see Appendix A paragraphs AG5.50 to AG5.52), transaction costs, and all other premiums or discounts…

…

A derivative is a financial instrument or other contract within the scope of this Standard …

(c) It is settled at a future date.

(See Appendix A paragraphs AG2.17 to AG2.20)

The effective interest method is the method that is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of interest revenue or interest expense in surplus or deficit in the relevant period. (See paragraphs Appendix A AG5.50 to AG5.59)

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, an entity shall estimate the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see Appendix A paragraphs AG5.50 to AG5.52), transaction costs, and all other premiums or discounts…

…

A financial asset is: …

(c) a contractual right to:

(i) receive cash or another financial asset from another entity; or

(ii) exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

(See Appendix A paragraphs AG2.1 to AG2.16)

…

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

(See Appendix A paragraphs AG2.1 to AG2.16)

A financial liability is any liability that is a contractual obligation to:…

(b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

(See Appendix A paragraphs AG2.1 to AG2.16)

…

A residual interest is any contract that represents an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:…

(c) a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

(See Appendix A paragraphs AG2.25 to AG2.26)

3.1 An entity shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument (see Appendix A paragraphs AG3.12 to AG3.13)…

4.2 A financial asset shall be measured at amortised cost if both of the following conditions are met:…

Appendix A ~~P~~paragraphs AG4.1 to AG4.45 provide guidance on how to apply these conditions.

4.3 For the purpose of applying paragraph 4.2(b):

(a) Principal is the fair value of the financial asset at initial recognition. Appendix A ~~P~~paragraph AG4.18 provides additional guidance on the meaning of principal.

(b) Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin (where applicable). Appendix A ~~P~~paragraphs AG4.17 and AG4.23 to AG4.27 provide additional guidance on the meaning of interest, including the meaning of the time value of money.

4.6 ***Despite paragraphs 4.1 to 4.5, an entity may, at initial recognition, irrevocably designate a financial asset as measured at fair value through surplus or deficit if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on the on different bases (see Appendix A paragraphs AG4.48 to AG4.51).***

4.7 ***An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:***

…

(d) Commitments to provide a loan at a below-market interest rate. An issuer of such a commitment shall (unless paragraph 4.7(a) applies) subsequently measure it at the higher of:

(i) the amount of the loss allowance determined in accordance with paragraphs 5.17 to 5.35 plus, for concessionary loans, any social benefit provided (see Appendix A paragraphs 5.4, AG5.15 and AG5.17); and …

4.8 ***An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through surplus or deficit when permitted by paragraph 4.13, or when doing so results in more relevant information, because either:***

- ***(a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases (see Appendix A paragraphs AG4.48 to AG4.51); or***
- ***(b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's management (as defined in the Standard of GRAP on Related Party Disclosures (GRAP 24)), for example, the entity's governing body and chief executive officer or permanent head (see Appendix A paragraphs AG4.52 to AG4.55).***

4.16 ***An entity shall reclassify financial assets when:***

- ***(a) an entity changes its management model for managing financial assets it shall reclassify all affected financial assets in accordance with paragraphs 4.1 to 4.4. (See paragraphs 5.37 to 5.39, Appendix A***

***paragraphs* AG4.68 to AG4.70 and AG5.116 to AG5.117 for additional guidance on reclassifying financial assets);**

(b) ***a reliable measure of fair value either becomes, or ceases to be, available for an investment in a residual interest. (See paragraphs 5.40 to 5.41 and Appendix A paragraphs AG4.71 to AG4.72.)***

5.2 ***However, if the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, an entity shall apply Appendix A paragraph AG5.4.***

5.10 ***In determining the fair value of a financial asset or a financial liability for the purpose of applying this Standard an entity shall apply Appendix A paragraphs AG5.35 to AG5.49 ~~of Appendix A~~.***

5.13 ***Interest revenue shall be calculated by using the effective interest method (see Appendix A ~~and~~ paragraphs AG5.50 to AG5.56).***

5.25 An entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date (see Appendix A paragraphs AG5.81 to AG5.83).

5.43 ***A gain or loss on a financial asset…***

A gain or loss on a financial liability that is measured at amortised cost shall be recognised in surplus or deficit when the financial liability is derecognised and through the amortisation process. (See Appendix A paragraph AG5.118 for guidance on foreign exchange gains or losses.)

5.44 ***An entity shall present a gain or loss on a financial liability that is designated as at fair value through surplus or deficit in accordance with paragraph 4.8 or paragraph 4.13 as follows:***

(a) ***the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in the statement of changes in net assets (see Appendix A paragraphs AG5.127 to AG 5.134), and …***

unless the treatment of the effects in the liability's credit risk described in (a) would create or enlarge an accounting mismatch in surplus or deficit (in which case paragraph 5.45 applies). Appendix A ~~P~~paragraphs AG5.119 to AG5.121 and AG5.124 to AG5.126 provide guidance on determining whether an accounting mismatch would be created or enlarged.

Waiver of rights relating to financial assets (see Appendix A paragraphs AG6.2 to AG6.3)

6.5 An entity may waive the right to receive contractual receipts under the terms of an existing arrangement. The following outline scenarios of when a waiver of rights may arise:

(b) An entity may waive its rights to contractual receipts because of a subsequent event such as the issuing of a court order...

In these instances, an entity derecognises the financial asset (or part of the financial asset) that represents the entity's right to cash or another financial asset, and recognises the right to receive another asset in terms of the *Framework for the Preparation and Presentation of Financial Statements*[1].

8.8 If the entity has designated a financial liability as at fair value through surplus or deficit in accordance with paragraph 4.8 and is required to present the effects of changes in that liability's credit risk in the statement of changes in net assets (see paragraph 5.44), it shall disclose:

(a) The amount of change, cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see Appendix A paragraphs AG5.127 to AG5.134 for guidance on determining the effects of changes in a liability's credit risk)…

8.9 If an entity has designated a financial liability as at fair value through surplus or deficit and is required to present all changes in the fair value of that liability (including the effects of changes in the credit risk of the liability) in surplus or deficit (see paragraphs 5.44 and 5.45), it shall disclose:

(a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see Appendix A paragraphs AG5.127 to AG5.134 for guidance on determining the effects of changes in a liability's credit risk); and …

8.10 The entity shall also disclose:

…

(c) A detailed description of the methodology or methodologies used to determine whether presenting the effects of changes in a liability's credit risk in the statement of changes in net assets would create or enlarge an accounting mismatch in surplus or deficit (see paragraphs 5.43 and 5.45). If an entity is required to present the effects of changes in a liability's credit risk in surplus or deficit (see paragraph 5.45), the disclosure must include a detailed description of the economic relationship described in Appendix A paragraph AG5.120.

8.26 For concessionary loans granted by an entity and measured at amortised cost, an entity discloses the following:

…

(d) valuation assumptions, including whether the valuation approach in Appendix A paragraph AG5.19 was applied.

8.27 ***For concessionary loans granted by an entity and measured at fair value, an entity discloses the following:***

…

(d) valuation assumptions, including whether the valuation approach in Appendix A paragraph AG5.19 was applied.

8.55 For receivables and lease receivables to which an entity applies, the information provided in accordance with paragraph 8.54 may be based on a provision matrix (see Appendix A paragraph AG5.95).

AG4.3 An entity's management model refers to how an entity manages its financial assets in order to generate cash flows…

If cash flows are realised in a way that is different from the entity's expectations at the date that the entity assessed the management model (for example, if the entity sells more or fewer financial assets than it expected when it classified the assets), that does not give rise to a prior period error in the entity's financial statements (see the Standard of GRAP ~~3~~ on *Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3)*) nor does it change the classification of the remaining financial assets held in that management model (i.e. those assets that the entity recognised in prior periods and still holds) as long as the entity considered all relevant information that was available at the time that it made the management model assessment.

AG5.19 There is usually a high degree of judgement involved in determining the fair value of concessionary loans because they are often provided to further particular government policies, and as a result, there may be no equivalent market. As a result, an entity applies a valuation technique as outlined in paragraphs AG5.40 to AG5.46.

AG5.59 Write-offs can relate to a financial asset in its entirety or to a portion of it…

If the entity has no reasonable prospects of recovering any further cash flows from the financial asset, it should write off the remaining 70 per-cent of the financial asset.

AG5.64 For the purpose of determining significant increases in credit risk and recognising a loss allowance on a collective basis…

Examples of shared credit risk characteristics may include, but are not limited to, the:

…

(h) ~~the~~ value of collateral relative to the financial asset if it has an impact on the probability of a default occurring.

Interest, dividends or similar distributions, losses and gains (Paragraphs 7.1 to 7.8)

AG7.1 The following example illustrates…

Offsetting a financial asset and a financial liability (Paragraphs 7.9 to 7.17)

Criterion that an entity "currently has a legally enforceable right to set off the recognised amounts" (paragraph 7.9(a))

AG7.2 A right of set off may be currently available…

Market risk (Paragraphs 8.59 to 8.60)

AG8.28 Paragraph 8.59 requires an entity…

Appendix C ***Example 15: Identifying contracts containing embedded derivatives***

…

Description of contract and related features	Impact of the conditions?	Why is it an embedded derivative or not?
Leases		
An entity is the tenant in a 10 year lease of a property with the rental payments contractually determined for the first year, but thereafter increase in line with:		
(a) Consumer Price Index (CPI)	The rental payments due in terms of the rental agreement will fluctuate in accordance with CPI.	The rental payments escalate in accordance with an inflation index in the same economic environment as the lease. Therefore, this feature is closely related to the host contract, and no embedded derivative exists (see paragraph AG4.63(d)(i)). The entire lease contract should be accounted for in accordance with the Standard of GRAP on *Leases* (GRAP 13).
(b) Three time CPI	The rental payments due in terms of the	Although the rental payments escalate in accordance with an

	rental agreement will fluctuate in accordance with three times the CPI.	inflation index in the same economic environment as the lease, but the index is leveraged (i.e. it is a multiple of CPI, see paragraph AG4.63(d)(i)). The embedded derivative should be separated from the host lease contract and accounted for as a financial instrument (the lease contract should be accounted for in accordance with ~~the Standard of~~ GRAP 13 ~~on *Leases*~~).
(c) South African Property Price Index	The rental payments due in terms of the rental agreement will fluctuate in accordance with a property price index.	The rental payments escalate in accordance with an inflation index in the same economic environment as the lease. Therefore, this feature is closely related to the host contract, and no embedded derivative exists (see paragraph AG4.63(d)(i)). The entire lease contract should be accounted for in accordance with the ~~Standard of~~ GRAP 13 ~~on *Leases*~~.

…

Example 21: Receipt of a concessionary loan

…

Journal entries

1. On initial recognition, the entity recognises the following (assuming that the entity subsequently measures the concessionary loan at amortised cost):

Dr Bank	5 000 000	
Cr Loan (refer to Table 2 below)		4 215 450
Cr Liability or non-exchange revenue		784 550

Recognition of the receipt of the loan at fair value

The Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers) (GRAP 23) is considered in recognising either a liability or revenue for the off-market portion of the loan.

…

Examples 33: Classes of instruments and level of disclosure

…

Paragraph .19(c) of the Standard of GRAP on *Presentation of Financial Statements* (GRAP 1) requires an entity to provide additional disclosures when compliance with the specific requirements in the Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

…

Example 40: What should an entity disclose about collateral and other credit enhancements held?

Paragraph 8.56(b) requires an entity to describe collateral available as security for assets it holds and other credit enhancements obtained. An entity might meet this requirement by disclosing:

…

(b) a description of the main types of ~~colllateal~~ collateral and other credit enhancements (examples of the latter being guarantees, credit derivatives, and netting arrangements that do not quality for offset);

…

Example 43: How should information be disclosed about the offsetting of arrangements?

Disclosures (paragraphs 8.14 – to 8.19 and AG8.38 - to AG8.51)

…

ANNEXURE - SUMMARY OF THE APPLICATION OF THE STANDARD OF GRAP ON FINANCIAL INSTRUMENTS

…

Residual interests	
Issuer of a residual interest	**X**
Holder of a residual interest in a controlled entity, joint venture or associate (where investment measured at fair value in separate	**X**

financial statements accordance with the Standard of GRAP on *Separate Financial Statements* (GRAP 34))	

…

Insurance contracts	
Financial guarantees	**X**
Embedded derivatives in any insurance contract	**X**
Insurance contracts with discretionary participation features (see the IFRS Accounting Standard(s) on insurance (Appendix A)	**X** **(Classification between liabilities and residual interests)**

D7. **Example 1 — significant increase in credit risk**

Company Y has a funding structure that includes a senior secured loan facility with different tranches[7].

…

[7] The security of the loan affects the loss that would be realised if a default occurs, but does not affect the risk of default occurring, so it is not considered when determining whether there has been a significant increase in credit risk since initial recognition as required by paragraph 5.18 of this Standard.

D8. At initial recognition, because of the considerations outlined in paragraph D7, Technology Agency X considers that despite the level of credit risk at initial recognition, the loan is not an originated credit-impaired loan because it does not meet the definition of a credit-impaired financial asset.

D55. Development Agency A measures expected credit losses on the basis of a loss rate approach for Groups X and Y…

…	**Present value of observed loss**~~[11]~~	…

…

BC12. In terms of IFRS 9, only some loan commitments are within its scope, most notably loan commitments to provide a loan on below market terms. All loan commitments are however subject to the impairment and ~~derecogntition~~ derecognition requirements of IFRS 9.

BC75. Respondents to ED 167 supported the inclusion of this guidance in the Standard as a reminder that these investments should be analysed to determine their nature. It was however noted that substance over form should be applied rather than relying solely on the terms and conditions of the arrangement. As the application of substance over form is consistent with the *Framework for the Preparation and Presentation of Financial Statements*[1~~2~~], the Board agreed to modify the application guidance accordingly.

BC76. The concept of fair value in IFRS 9 is based on that outlined in the ~~International Financial Reporting~~ IFRS Accounting Standard ~~(IFRS® Standard) 13~~ on *Fair Value Measurement* (IFRS 13)*…*

BC82. The Board debated whether it should provide explicit guidance on the approach to be followed…

For these reasons, and given that entities in the public sector undertake diverse activities, the Board agreed that entities can apply either approach outlined in paragraph BC67.

BC86. Given the potential implications, the Board considered the effect of including credit losses in the initial measurement in the receivable on the recognition of revenue related to the sale of goods and services, and in particular, whether this principle is consistent with Interpretation of the Standards of GRAP on ~~IGRAP 1~~ *Applying the Probability Test on Initial Recognition of Revenue* (IGRAP1)*…*

GRAP 105 on *Transfer of functions between entities under common control*

.59 If the specific disclosures required by this and other Standards of GRAP do not meet the objectives set out in paragraph ~~.58~~ .55, the acquirer shall disclose whatever additional information is necessary to meet those objectives.

GRAP 108 on *Statutory receivables*

.34 An entity shall disclose a description of:

…

(c) interest or other charges levied ~~charged~~ (where applicable), including the basis and rate used;

.41 An entity shall disclose information about the collectability of statutory receivables recognised at the reporting date as follows:

(a) An analysis of statutory receivables that are past due at the reporting date, and which have been impaired.

IGRAP 8 on *Agreements for the Construction of Assets from Exchange Transactions*

References

- GRAP 1 *Presentation of Financial Statements*
- GRAP 3 *Accounting Policies, Changes in Accounting Estimates and Errors*
- GRAP 9 *Revenue from Exchange Transactions*
- GRAP 11 *Construction Contracts*
- GRAP 19 *Provisions, Contingent Liabilities and Contingent Assets*
- ~~Guideline on *Accounting for Public-private Partnerships (PPPs)*~~
- IGRAP 6 *Loyalty Programmes*

IGRAP 9 on *The Distribution of Non-cash Assets to Owners*

References

- GRAP 1 Presentation of Financial Statements
- ~~GRAP 6 Consolidated and Separate Financial Statements~~
- GRAP 14 *Events After the Reporting Date*
- GRAP 35 *Consolidated Financial Statements*
- GRAP 104 *Financial Instruments*
- …

IGRAP 10 on *Assets Received from Customers*

References

- *Framework for the Preparation and Presentation of Financial Statements*[2]
- GRAP 3 *Accounting Policies, Changes in Accounting Estimates and Errors*

- GRAP 9 *Revenue from Exchange Transactions*
- GRAP 17 *Property, Plant and Equipment*
- GRAP 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)*
- ~~Guideline on *Accounting for Public-private Partnerships (PPPs)*~~ GRAP 32 *Service Concession Arrangements: Grantor*

IGRAP 21 on *The Effect of Past Decisions on Materiality*

BC20. Based on the analysis of the requirements of GRAP 3, the Board concluded that past decisions on materiality:

- Are period specific.
- Are not changes in accounting policies, are not errors, and are not departures from the Standard.
- Do not require the restatement of prior period information unless an error has occurred as outlined in paragraphs BC16. and BC17.

Guideline on *The Application of Materiality to Financial Statements*

6.22 Moreover, public availability of information does not relieve an entity of the obligation to provide material information in its financial statements.

Example 11 – Publicly available information

Background

Following a directive by the Municipal ~~Dermacation~~ Demarcation Board, …

6.28 Except to the extent required to comply with laws or regulations…

Example 13 – Summarising prior period information

Background

An entity disclosed, in the prior period financial statements, details of a legal dispute which led to the recognition, in that period, of a provision. In accordance with GRAP 19 ~~the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets*~~…

Guideline on *Accounting for Landfill Sites*

Scope of this Guideline

…

The legislative requirements that are applicable to landfill site assets are the National Environmental Management Waste Act, Act No. 59 of 2008 (hereafter referred to as “Waste Act”), the Environmental Conservation Act, Act No. 73 of 1989 (hereafter referred to as “Environmental Conservation Act”) and related regulations, norms and standards (hereafter referred to collectively as “legislation”) that regulate landfill sites.

2.8 To assess joint control of land used at the regional or central landfill site, the entity applies the principles in ~~the Standard of GRAP on *Interests in Joint Ventures* (~~GRAP 37~~8)~~. When the entity, after applying the principles in GRAP 37~~8~~, concludes that it has joint control of land at the regional or central landfill site, it applies the principles in GRAP 36 or GRAP 37~~8~~ to account for the jointly controlled land.

3.6 Paragraphs 3.7 to 3.12 provide guidance with the assessment of whether costs incurred during development and construction should be expensed or capitalised. A distinction is made between costs incurred by the entity:

(a) prior to receiving approval from the licencing authority to commence with the compilation of the licence application report (see paragraphs 3.7 to 3.9); and…

3.30 In accordance with GRAP 17, an entity does not recognise the costs of the day-to-day servicing of the item in the carrying amount of an item of property, plant and equipment. Such costs are recognised in surplus or deficit as incurred. Subsequent costs incurred can only be capitalised to the carrying amount of an item of property, plant and equipment, if the following recognition criteria are satisfied:

…

(b) the cost o~~f~~r fair value of the item can be measured reliably.

3.38 The useful life of the landfill site will be the period that the landfill site is available for use by an entity. The landfill site is available for use while it is in operation and while it stores waste. During these periods, the landfill site asset generates ~~economic~~ service potential by receiving,…

5.28 The entity applies the disclosure requirements in GRAP 38 ~~6, 7, 8~~ or 32 and other applicable Standards of GRAP.

Annexure B – References to pronouncements used in this Guideline

…

Standard of Generally Recognised Accounting Practice on *Interests in Joint Arrangements* (GRAP 37)

Standard of GRAP on *Disclosure of Interests in Other Entities* (GRAP 38)