

ED 207

**Post-implementation Review
of GRAP 108 on *Statutory
Receivables***



ACCOUNTING STANDARDS BOARD





Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.



Background to the post-implementation review





Background to the PIR

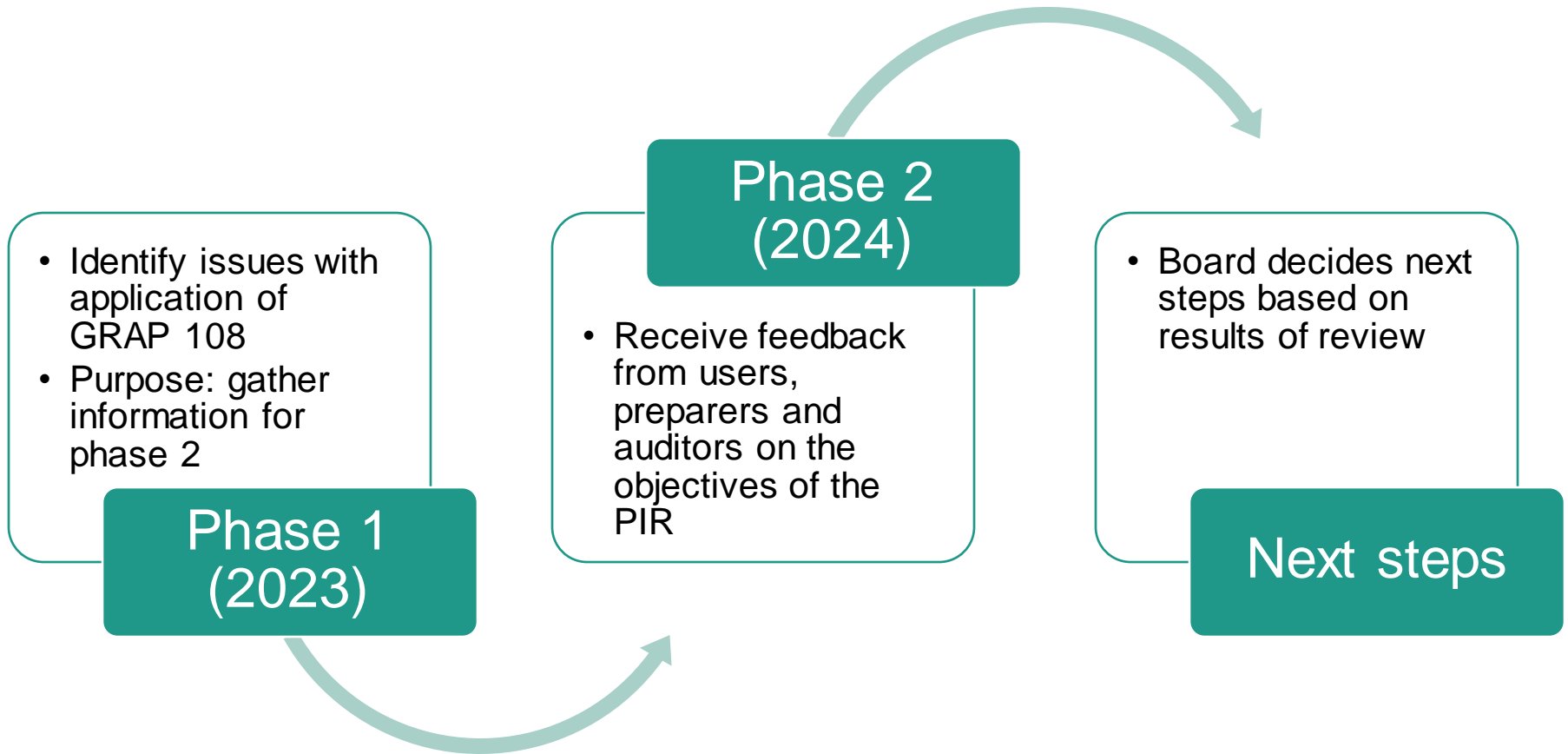
- All entities apply GRAP 108 from 1 April 2019 except trading entities - 1 April 2021
- Three-year transition for classification and measurement
- Available guidance to assist with implementation:
 - Secretariat's FAQs → ([Frequently asked questions – ASB](#))
 - GRAP 104 on *Financial Instruments* Fact Sheets #1 & #11 ([Fact-Sheet-1-Definition-of-a-financial-instrument-March-2022.pdf](#) and [Fact Sheet 11 - Classification of VAT \(18 July\) \(asb.co.za\)](#))
 - OAG GRAP Accounting Guideline ([Accounting Guideline on GRAP 108 Issued September 2022.pdf](#) ([treasury.gov.za](#)))

Objectives of the post-implementation review

- Board agreed to undertake PIR to assess if GRAP 108 met its objectives and:

Users	Determine extent to which GRAP 108 provides relevant & useful information to users of financial statements and identify what other information users require on statutory receivables
Preparers	Understand implementation challenges, and extent to which these challenges impair application of GRAP 108 requirements
Auditors	Understand audit issues raised on accounting for statutory receivables

Phases of the post-implementation review





Have your say on GRAP 108

- ED 207 *Invitation to Participate in PIR of GRAP 108* on website
- Participate through:
 - Any form of written submission to info@asb.co.za
 - Stakeholder engagements – contact info@asb.co.za to ensure you are invited
- Comment period closes **27 October 2024**

Objective of reporting on statutory receivables





Objective of reporting on statutory receivables

- Not all transactions arise from statute despite operating in highly regulated environment
- Statutory transactions – legislation, supporting regulations or similar means for example taxes, fines, appropriations, fees
- Information to enable users to evaluate significance of statutory receivables



Definition and scope



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Definition and scope

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	Statutory receivables	Contractual receivables
How receivable arises	Legislation or similar means – regulations, supporting legislation, by-laws, documents issued in terms of legislation, such as ministerial orders, cabinet or municipal decisions	Contracts that grant entity contractual right to receive cash or another financial instrument. 3 characteristics of contract: <ul style="list-style-type: none"> • willing parties • create rights and obligations but need not result in equal performance • non-performance law enforced
Nature of transaction	Compulsory transactions required in legislation/similar means	Voluntary transactions entered into willingly
Remedies non-performance	Outlined in specific legislation/similar means	Agreed between parties and enforced by law
GRAP	GRAP 108	GRAP 104





Statutory or contractual receivables?

- Transactions governed by legislation/similar means, but initiated by a contract – contractual in nature
- Example = distribution of electricity governed by a regulator





Definition and scope

Question to preparers (P1)

Do you have any challenges to distinguish receivables as statutory or contractual based on the GRAP 108 guidance?

If yes, please describe and provide examples of these challenges and indicate how, in your view, they can be resolved.



Recognising and determining an initial value for statutory receivables





Recognition

- Initial recognition based on whether transaction is exchange or non-exchange
- Apply GRAP 9 or GRAP 23
- Not within scope GRAP 9 or GRAP 23 recognise when:
 - definition of asset is met
 - probable that future economic benefits or service potential will flow to entity
 - transaction amount can be measured reliably





Initial measurement

- Initial measured at transaction amount
- Transaction amount = amount specified in legislation/similar means
- Initially measured at fair value using GRAP 9 or GRAP 23





Recognition and measurement

Question to preparers (P2)

Do you have any challenges to measure statutory receivables at the transaction amount as required in GRAP 108?

If yes, please describe and provide examples of these challenges and indicate how, in your view, they can be resolved



Subsequent measurement of statutory receivables



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Subsequent measurement

- Using cost method
- Cost method = adjust transaction amount to reflect:
 - interest and other charges on overdue or unpaid statutory receivables
 - impairment losses
 - amounts derecognised





Subsequent measurement

Question to preparers (P3)

Do you have challenges to subsequently measure statutory receivables using the cost method?

If yes, please describe and provide examples of these challenges, and indicate how, in your view, they can be resolved





Impairment

- Assess at each reporting date – indicators
- Impairment of:
 - (a) individually significant receivables
 - (b) groups of similar insignificant receivables
 - (c) collective assessment of individual significant receivables not impaired on own
- Impairment grouping based on statutory receivables with similar characteristics





Impairment

Question to preparers (P4)

Do you have challenges to group receivables for impairment?

If yes, please describe and provide examples of these challenges, and indicate how, in your view, they can be resolved.





Impairment

Question to preparers (P5)

What specific factors and methodology do you apply, and what characteristics do you consider to group receivables for impairment?





Impairment

Question to preparers (P6)

Do you find the impairment indicators in GRAP 108 helpful to assess if statutory receivables are impaired, and are there any other indicators that you think should be considered?

Please explain your response





Impairment

Question to preparers (P7)

Do you have challenges to calculate the impairment loss for a statutory receivable or a group of statutory receivables?

If yes, please describe and provide examples of these challenges, and indicate how, in your view, they can be resolved





Incurring loss model vs expected credit loss

- Different impairment models applied in GRAP 108 and GRAP 104
- GRAP 108 – incurred loss model considers impairment when receivable is credit-impaired or default occurs
- GRAP 104 (2019) – expected credit loss model is a forward-looking approach





Incurring loss model vs expected credit loss

Question to users (U1)

Do you foresee any concerns with applying two different impairment models to contractual and statutory receivables, and how would two different models impact your ability to hold entities accountable and make decisions?

Please explain your response





Incurring loss model vs expected credit loss

Question to preparers (P8)

- (a) What issues, practical or otherwise, do you foresee with applying two different impairment models for contractual and statutory receivables, if any?
- (b) Do you foresee any issues, practical or otherwise, if GRAP 108 adopts the ECL model for the impairment of statutory receivables?

Please explain your response



Derecognition of statutory receivables



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Derecognition

Statutory receivables/part thereof derecognised when:

- (a) rights to cash flows are settled, expire or waived;
- (b) entity transfers substantially all risks and rewards of ownership; or
- (c) despite having retained some significant risks and rewards, control is transferred to another party with practical ability to sell. Other party can exercise that ability unilaterally and without need to impose additional restrictions on the transfer.





Derecognition vs impairment

- Derecognition
 - results in removal of previously recognised receivable from statement of financial position
- Impairment
 - loss in future economic benefits or service potential – credit impaired or due to default
 - entity retains control of the right to future economic benefits or service potential





Derecognition

Question to preparers (P9)

Does GRAP 108 provide clear and sufficient guidance to determine when to derecognise a statutory receivable?

Please explain your response





Derecognition

Question to preparers (P10)

Do you have any challenges to distinguish whether statutory receivables should be impaired or derecognised?

If yes, please describe and provide examples of these challenges, and indicate how, in your view, how they can be resolved



Presentation of receivables as statutory or contractual



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Presentation

- Presentation of revenue and receivables from exchange or non-exchange → face or notes
- Presentation:
 - receivables from exchange and non-exchange of face of statement of financial position
 - notes distinguish statutory, contractual and other receivables





Presentation

Question to users (U2)

Do you find it useful to receive information on statutory receivables separately from contractual and other receivables to hold entities accountable and to make decisions?

If yes, how do you use the information to hold entities accountable and to make decisions?

If no, please provide reasons why the information is not relevant, and how, in your view, the information can be improved to meet your information needs?





Presentation

Question to preparers (P11)

Do you have any challenges to present statutory receivables separately from contractual and other receivables in the notes to the financial statements?

If yes, please describe and provide examples of these challenges, and indicate how, in your view, they can be resolved





Presentation

Question to preparers (P12)

Do you have any challenges to present statutory receivables as exchange or non-exchange in nature?

If yes, please describe and provide examples of these challenges, and indicate how, in your view, they can be resolved



Disclosure of statutory receivables in the financial statements



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General disclosures

- Disclosures in GRAP 108, GRAP 1, GRAP 9 and GRAP 23
- GRAP 108 requires disclosure of
 - how statutory receivables arise and how the transaction amount is determined
 - interest and other charges levied
 - losses on statutory receivables or reversal thereof
 - carrying amount of statutory receivables
 - collateral information





Disclosures: Credit and liquidity risk exposure

- GRAP 108 does not require explanations of statutory receivables' exposure to credit risk – other than impairment disclosures
- GRAP 104 (revised 2019) requires qualitative and quantitative information about exposure to risk based on management information to enable users to:
 - evaluate nature and extent of risks arising from financial instruments to which entity is exposed
 - understand the effect of risks on the amount, timing and uncertainty of future cash flows





Disclosures: Credit and liquidity risk exposure

- Liquidity risk disclosure explain how entity intends to sell obligations
- GRAP 104 (revised 2019) requires a maturity analysis for users to manage liquidity risk and evaluate nature and extent of liquidity risk





Disclosures

Question to users (U3)

Do you find the disclosures on statutory receivables relevant to hold entities accountable and to make decisions? If yes, what decisions are made with this information?

If no, please provide reasons why the information is not relevant, and how, in your view, the disclosures can be improved to meet your information needs





Disclosures

Question to users (U4)

What information on the nature and extent of statutory receivables' exposure to credit risks and how liquidity risk is managed (if any) do you think will be relevant to hold entities accountable and to make decisions?

Please explain your response





Disclosures

Question to users (U5)

What other information on statutory receivables do you think will be relevant for accountability and to make decisions?

Please explain why this information will be relevant





Disclosures

Question to preparers (P13)

Do you have any challenges to provide the disclosures on statutory receivables as required by GRAP 108 and/or other Standards of GRAP?

If yes, please describe and provide examples if these challenges, and indicate how, in your view, they can be resolved





Disclosures

Question to preparers (P14)

What information on the nature and extent of statutory receivables' exposure to credit risks (if any) and how liquidity risk is managed do you think will be relevant to hold entities accountable and to make decisions?

Please explain your response





Disclosures

Question to preparers (P15)

What other information on statutory receivables do you think users will find relevant for accountability and to make decisions?

Please explain your response



Other matters





Other matters

Question to users (U6)

Are there any other matters you want to share on GRAP 108 that the Board should consider as part of this PIR?

Please explain your response





Other matters

Question to preparers (P16)

Are there any other matters on the application and/or implementation of GRAP 108 that the Board should consider as part of this PIR?

Please provide details





Other matters

Question to preparers (P17)

What are the ongoing costs and benefits of applying the requirements in GRAP 108 and how significant are they?

If, in your view, the ongoing costs of applying GRAP 108 are significantly greater than expected, or the benefits of the resulting information to users of financial statements are significantly lower than expected, please explain your view.



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- PSAF

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