The amendments to GRAP 105, 106 and 107 explained

Transfer of Functions and Mergers – June 2026

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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.

Assessing whether the definition of a function is met

Defining a function

- For the definition of a function to be met**, an integrated set of activities and related assets and/or liabilities** are conducted and managed to achieve the objectives of providing goods and/or services or generating revenue.
- That set is made of **inputs** – the related assets and/or liabilities (e.g. premises and licensing staff) – together with a **process** (e.g. processing licence applications) applied to them to produce **outputs** (e.g. licences issued). It is met with at least an input and a **substantive process** (e.g. an organised team running the licensing reviews); outputs are not required at the transfer date.

When is a process substantive?

- **With outputs** – substantive if it is either:
  - Critical to continuing those outputs, performed by an organised workforce; or
  - A significant contribution to producing outputs that is unique, scarce or hard to replace.
- **Without outputs** – critical to developing the inputs into outputs, with an organised workforce.

The concentration test

- An optional, simplified test, elected per transaction, that assesses whether an acquired or received set of activities, assets and/or liabilities is not a function (see the flow-chart in Appendix A, AG11).
- Met when substantially all of the carrying amount of the gross assets acquired or received is concentrated in a single asset or group of similar assets.
- If met, the set is not a function. If not met or not elected, assess the full definition.
- *Example: transferring one let-out building and its lease, where substantially all of the carrying amount is concentrated in a single asset, so the test is met and the set is not a function.*

GRAP 105: Transfer of functions under common control

- **Existing definitions refined, not replaced:** function, acquirer, transferor and transfer date, now aligned with IPSAS 40 and IFRS 3.
- **New optional concentration test** and **substantive-process guidance added**.
- **No change –** Assets and liabilities recognised at **gross amounts** on the transfer date (carrying amount of assets).
- **New disclosures:** reason for the transfer and how control was obtained, amounts per major class of assets and liabilities; acquisition-related costs; and collectively material immaterial transfers.
- **Disclosures** also required for transfers **after the reporting** date but before statements are authorised.

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GRAP 106 : Transfer of functions not under common control

- **Existing definitions refined, not replaced:** function, acquirer, acquiree and transfer date, aligned with IPSAS 40 and IFRS 3.
- **New guidance for intangibles** not identifiable at acquisition, e.g. an assembled workforce.
- **No change –** Measurement guidance for non-controlling interests (at fair value or proportionate share of net assets) and assets the acquirer will not use.
- **New exceptions** covering provisions and levies, concessionary loans or similar benefits, and income taxes.
- **No change –** Excess of consideration over net assets is expensed; **no goodwill** recognised.
- **New disclosures**, including unrecognised contingent liabilities and transfers after the reporting date but before statements are authorised.

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GRAP 107: Mergers

- Applies to mergers **with no identifiable acquirer**, covering the combined and combining entities.
- Describes the combined entity's first financial statements: opening and reporting-date financial position, performance, changes in net assets, cash flows, budget comparison where required, and notes.
- **No change –** Assets and liabilities are recognised at **carrying amounts** on the merger date.
- **New recognition exceptions**, e.g licences between combining entities and certain concessionary loans or benefits.
- **New disclosures:** reason for the merger and its legal basis; amounts per major class of assets and liabilities; and collectively material immaterial mergers.

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Applying the revisions in the first year

- Applied prospectively: to transfers or mergers dated on or after the effective date of 1 April 2027.
- No restatement for transfers or mergers before the effective date.
- Transitional provisions are in the entity's relevant Directive.
- Approved by the Board in December 2023 and the Minister of Finance determined an effective date of 1 April 2027.

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