Accounting for land – substantive versus protective rights

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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.

Control of an asset

- For an asset to be recognised – entity **must** have control
- Control means entity is able to use resource or direct other parties to use resource
- Control is evidenced by entity's rights and obligations arising from binding arrangement

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IGRAP 18: Control of land

- Guidance on land included in IGRAP 18 on *Recognition and Derecognition of Land*

- YouTube recording – Accounting for land using title deeds only

https://www.asb.co.za/assets/

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IGRAP 18: Control of land

Control of land is evidenced by:

- Legal ownership and/or
- Right to direct access and restrict or deny access

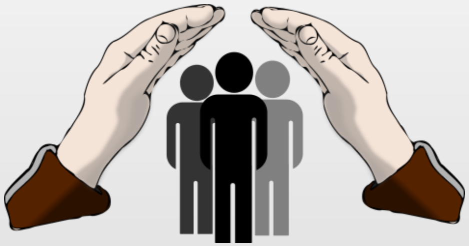
  → direct use of future economic benefits/service potential;

  → exchange, dispose of, or transfer land; and/or

  → use land in any other way to generate future economic benefits/service potential
- Apply substance over form to conclude on control of land

Substantive versus protective right

Substantive right	Protective right
• Present ability to make decisions about land (use and disposal) • Entity can direct access or restrict or deny access	• Protect interests associated with land • No power to direct or restrict access



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Substantive versus protective right

IGRAP 18: Control of land evidenced:

- Legal ownership and/or
- Right to direct access to land and restrict or deny access of others to land

Substantive right (if presently exercisable)	→	✓ Meets criterion in IGRAP 18 – thus controls land
Protective right	→	✗ Don't meet criterion in IGRAP 18 – thus DO NOT control land

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Practical example

A municipal council has right to sell portions of land

For sale to be effected regulatory approval from provincial government required

Municipality	Provincial government
Substantive right	Protective right
Municipality can decide to whom land can be sold and at what price	Provincial department protects interest associated with land

Municipality recognises land in its financial statements

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