ACCOUNTING STANDARDS BOARD

DIRECTIVE 4

TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES AND TRADING ENTITIES

Issued by the
Accounting Standards Board

May 2010

DIRECTIVE ON TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES AND TRADING ENTITIES

This Directive includes amendments resulting from the Standards of GRAP issued up to 31 May 2010.

Directive 4 was originally issued by the Accounting Standards Board (the Board) in February 2008. Since then, it has been amended as follows*:*

- The transitional provisions assets acquired and liabilities assumed through a transfer of functions in the absence of a Standard of GRAP dealing with those aspects (March 2009).
- The transitional provisions for the initial adoption of the Standards of GRAP on *Revenue from Non-exchange Transactions (Taxes and Transfers)* (GRAP 23), *Presentation of Budget Information in Financial Statements* (GRAP 24) and *Heritage Assets* (GRAP 103) (July 2009).
- The transitional provisions for the initial adoption of the Standards of GRAP on *Impairment of Non-cash-generating Assets* (GRAP 21) and *Impairment of Cash-generating Assets* (GRAP 26) (November 2009).
- Deletion of text relating to transitional provisions paragraphs withdrawn in Standards of GRAP and the consequential re-numbering of paragraphs (February 2010).
- Amendments to paragraph .07 as a result of the Improvements to the Standards of GRAP issued in February 2010.
- The transitional provisions for the initial adoption of the Standards of GRAP on *Employee Benefits* (GRAP 25) and *Financial Instruments* (GRAP 104) (June 2011).
- The transitional provisions for the initial adoption of the Standards of GRAP on *Related Party Disclosures* (GRAP 20), *Transfers of Functions Between Entities Under Common Control* (GRAP 105), *Transfers of Functions Between Entities Not Under Common Control* (GRAP 106) and *Mergers* (GRAP 107) (November 2011).
- Amendments to the title of the Directive and the scope paragraph as a consequence of issuing Directive 9 *The Application of the Standards of GRAP by Trading Entities.*

Introduction

The Accounting Standards Board (Board) is required in terms of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), to determine generally recognised accounting practice referred to as Standards of Generally Recognised Accounting Practice (GRAP).

The Board must determine GRAP for:

(a) departments (national and provincial);

(b) public entities;

(c) trading entities (as defined in the PFMA);

(d) constitutional institutions;

(e) municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and

(f) Parliament and the provincial legislatures.

The above are collectively referred to as “entities”.

The Board has approved the application of Statements of Generally Accepted Accounting Practice (GAAP), codified by the Accounting Practices Board (APB) and issued by the South African Institute of Chartered Accountants (SAICA) to be GRAP for:

(a) government business enterprises (GBEs)(as defined in the PFMA);

(b) any other entity, other than a municipality, whose ordinary shares, potential ordinary shares or debt are publicly traded on the capital markets; and

(c) entities under the ownership control of any of these entities.

The Board believes that Statements of GAAP are relevant and applicable to financial statements prepared by all such entities including those under their ownership control.

Section 89(1)(b) of the PFMA, requires the Board to prepare and publish directives and guidelines concerning the Standards of GRAP as set in paragraph 89(1)(a) of the PFMA. The *Preface to the Standards of GRAP* determines that directives will be used to set transitional provisions and transitional arrangements for the entities required to comply with Standards of GRAP. Directives issued by the Board in terms of section 89(1)(b) of the PFMA therefore have the same authority as the Standards of GRAP.

Directives should be read in conjunction with the relevant Standards and Interpretations of Standards of GRAP, as well as the *Preface to the Directives issued by the Accounting Standards Board.*

Objective

.01 The objective of this directive is to set the transitional provisions for individual Standards of GRAP for medium and low capacity municipalities and trading entities.

.02 Standards of GRAP set out the recognition, measurement, presentation and disclosure requirements for financial reporting in the public sector in South Africa. This directive should be read in conjunction with relevant Standard(s) of GRAP.

Scope

.03 This directive shall be applied by medium and low capacity municipalities that adopt Standards of GRAP. A trading entity shall apply the transitional provisions in this Directive as outlined in Directive 9 *The Application of Standards of GRAP by Trading Entities.*

Effective date

.04 This directive shall be applied on or after the effective date of the applicable Standard(s) of GRAP. The Minister of Finance determines the effective dates for Standards of GRAP.

GRAP 1 *Presentation of Financial Statements*

Transitional provisions

.05 All provisions of the Standard of GRAP on Presentation of Financial Statements shall apply on or after the effective date of the Standard, except in relation to items that have not been recognised and/or measured in accordance with other Standards of GRAP as a result of transitional provisions under those Standards of GRAP.

.06 Transitional provisions in other Standards of GRAP take precedence over the requirements of the Standard of GRAP on *Presentation of Financial Statements*. The requirements of the Standard of GRAP on *Presentation of Financial Statements* will therefore not apply to an item until the transitional provisions in those other Standards of GRAP expire, and the item is recognised and/or measured in the financial statements.

.07 Where an entity has taken advantage of the transitional provisions in other Standards of GRAP, the following disclosures shall be made in the financial statements:

(a) the fact that the entity has taken advantage of the transitional provisions;

(b) the classes of assets and/or liabilities that have not been recognised and/or measured in accordance with the applicable Standards of GRAP at the previous reporting date, but which are now so recognised and/or measured;

(c) the nature and amount of any reporting period adjustments recognised during the period; and

(d) the date that it will comply in full with the requirements of the Standards of GRAP, as well as information on the progress made by the entity towards recognising and/or measuring assets or liabilities in accordance with the requirements of Standards of GRAP.

GRAP 4 *The Effects of Changes in Foreign Exchange Transactions*

Transitional provisions

.08 All changes resulting from the application of the Standard of GRAP on The Effects of Changes in Foreign Exchange Transactions shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

.09 When an entity initially adopts a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to apply the requirements of the Standard being adopted retrospectively.

.10 Where items have not been recognised and/or measured as a result of transitional provisions under other Standards of GRAP, the Standard of GRAP on The Effects of Changes in Foreign Exchange Transactions does not apply to those items.

.11 The transitional provisions in other Standards of GRAP take precedence over the requirements of the Standard of GRAP on *The Effects of Changes in Foreign Exchange Transactions*. The requirements of the Standard of GRAP on *The Effects of Changes in Foreign Exchange Transactions* will therefore not apply to an item until the transitional provisions in the relevant Standards of GRAP expire and the item is recognised and/or measured in the financial statements.

GRAP 5 *Borrowing Costs*

Transitional provisions

.12 ***An entity shall apply the requirements of the Standard of GRAP on Borrowing Costs prospectively. The requirements of the Standard of GRAP on Borrowing Costs only apply to those borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the effective date of the Standard.***

.13 An entity capitalises borrowing costs incurred on qualifying assets only when the commencement date for capitalisation is on or after the effective date of the Standard of GRAP on *Borrowing Costs*. Borrowing costs incurred on qualifying assets where the commencement date for capitalisation is prior to the effective date of the Standard of GRAP on *Borrowing Costs*, continue to be recognised in accordance with the entity's previous accounting policies (if any).

GRAP 6 *Consolidated and Separate Financial Statements*

Transitional provisions

Separate financial statements

.14 An entity shall apply the requirements of the Standard of GRAP on Consolidated and Separate Financial Statements relating to separate financial statements in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

.15 When an entity initially adopts a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to apply the requirements of the Standard being adopted retrospectively.

Consolidated financial statements

.16 Adjustments required to an economic entity's financial position and financial performance as a result of initially adopting the Standard of GRAP on Consolidated and Separate Financial Statements, shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted.

.17 On initial adoption of the Standard of GRAP on Consolidated and Separate Financial Statements, comparative information need not be restated for the economic entity.

.18 The effect of a transaction or event that gives rise to an entity being required to prepare consolidated financial statements should be determined at the date that control first exists. Any adjustments required to previous carrying amounts of assets, liabilities or net assets are recognised as an adjustment to the opening balance of accumulated surpluses and deficits in the period that the Standard of GRAP on *Consolidated and Separate Financial Statements* is adopted.

GRAP 7 *Investments in Associates*

Transitional provisions

Separate financial statements

.19 An investor shall apply the requirements of the Standard of GRAP on Investments in Associates relating to separate financial statements in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

.20 When an entity initially adopts a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to apply the requirements of the Standard being adopted retrospectively.

Financial statements in which the equity method is applied

.21 On initial adoption of the Standard of GRAP on Investments in Associates, any adjustments required to an investor's financial position and financial performance as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted.

.22 On initial adoption of the Standard of GRAP on Investments in Associates, comparative information need not be restated for those financial statements in which the equity method is applied.

.23 The effect of a transaction or event that gives rise to an entity being required to apply the provisions of the Standard of GRAP on *Investments in Associates*, should be determined at the date that significant influence first exists. Any adjustments required to previous carrying amounts of assets, liabilities or net assets are recognised as an adjustment to the opening balance of accumulated surpluses and deficits in the period that the Standard of GRAP on *Investments in Associates* is adopted.

GRAP 8 *Interests in Joint Ventures*

Transitional provisions

Separate financial statements

.24 A venturer shall apply the requirements of the Standard of GRAP on Interests in Joint Ventures relating to separate financial statements in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

.25 When an entity initially adopts a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to apply the requirements of the Standard being adopted retrospectively.

Financial statements in which the equity method or proportionate consolidation is applied

.26 ***On initial adoption of the Standard of GRAP on Interests in Joint Ventures, adjustments required to a venturer's financial position and financial performance as a result of initially applying the equity method or proportionate consolidation, shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted.***

.27 On initial adoption of the Standard of GRAP on Interests in Joint Ventures, comparative information need not be restated for those financial statements in which the equity method or proportionate consolidation is applied.

.28 The effect of a transaction or event that gives rise to an entity being required to apply the provisions of the Standard of GRAP on *Interests in Joint Ventures*, should be determined at the date that joint control first exists. Any adjustments required to previous carrying amounts of assets, liabilities or net assets are recognised as an adjustment to the opening balance of accumulated surpluses and deficits in the period that the Standard of GRAP on *Interests in Joint Ventures* is adopted.

GRAP 9 *Revenue from Exchange Transactions*

Transitional provisions

.29 All changes resulting from the application of the Standard of GRAP on Revenue from Exchange Transactions shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

.30 When an entity initially adopts a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to apply the requirements of the Standard being adopted retrospectively.

GRAP 11 *Construction Contracts*

Transitional provisions

.31 All changes resulting from the application of the Standard of GRAP on Construction Contracts shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

.32 When an entity initially adopts a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to apply the requirements of the Standard being adopted retrospectively.

.33 Where construction contracts are acquired through a transfer of functions, the entity is not required to measure the items in the construction contract for a period of three years from the effective date of the Standard or the effective date of the transfer of functions, whichever is later, subject to the provisions in paragraph .34 below.

.34 If the initial accounting for items in the construction contract are incomplete by the end of a reporting period in which the Standard becomes effective or the transfer occurs, whichever is later, the entity shall report in its financial statements provisional amounts for those items in the construction contract for which the accounting is incomplete. During the measurement period, the entity shall retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the transfer date in accordance with paragraph .33, and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the entity shall also recognise additional items in the construction contract if information is obtained about the existence of those items in the construction contract at the transfer date, and, if it had been known, would have resulted in the recognition of those items at that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed at the transfer date or learns that no more information is obtainable. However, the measurement period shall not exceed the later of three years from the effective date of the Standard or the transfer date.

.35 The exemption from applying the measurement requirements of the Standard of GRAP on *Construction Contracts* implies that any associated presentation and disclosure requirements need not be complied with for those items in the construction contract not measured in accordance with the requirements of the Standard of GRAP on *Construction Contracts*.

.36 Until such time as the measurement period in paragraphs .33 and .34 expires, entities need not comply with the Standards of GRAP on

- ***Presentation of Financial Statements,***
- ***The Effects of Changes in Foreign Exchange Transactions,***

- ***Leases,***
- ***Segment Reporting, and***
- ***Non-current Assets Held for Sale and Discontinued Operations,***

to the extent that these Standards prescribe requirements for construction contracts.

.37 Notwithstanding the transitional provisions, entities are encouraged to comply in full with the provisions of the Standard of GRAP on *Construction Contracts* as soon as possible.

GRAP 12 *Inventories*

Transitional provisions

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

.39 When an entity initially adopts a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to apply the requirements of the Standard being adopted retrospectively.

.40 Entities are not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories subject to the provisions in paragraph .42 below.

.41 Where inventories are acquired through a transfer of functions, the entity is not required to measure those inventories for a period of three years from the effective date of the Standard or the effective date of the transfer of functions, whichever is later, subject to the provisions in paragraph .42 below.

.42 If the initial accounting for inventories is incomplete by the end of a reporting period in which the Standard becomes effective or the transfer occurs, whichever is later, the entity shall report in its financial statements provisional amounts for those inventories for which the accounting is incomplete. During the measurement period, the entity shall retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the effective date of the Standard in accordance with paragraph .40 or the transfer date in accordance with paragraph .41, and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the entity shall also recognise additional inventories if information is obtained about the existence of those inventories at the effective date of the Standard or the transfer date, whichever is applicable, and, if known, would have resulted in the recognition of those inventories at that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed at the effective date of the Standard or the transfer date, whichever is applicable, or learns that no more information is obtainable. However, the measurement period shall not exceed three years from the effective date of the Standard or the transfer date, whichever is later.

.43 The exemption from applying the measurement requirements of the Standard of GRAP on *Inventories* implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on *Inventories.*

.44 ***Until such time as the transitional provisions in paragraphs .40 to .42 expires, entities need not comply with the Standards of GRAP on***

- ***Presentation of Financial Statements,***
- ***The Effects of Changes in Foreign Exchange Transactions,***
- ***Segment Reporting, and***
- ***Non-current Assets Held for Sale and Discontinued Operations,***

to the extent that these Standards prescribe requirements for inventories.

.45 Notwithstanding the transitional provisions, entities are encouraged to comply in full with the provisions of the Standard of GRAP on *Inventories* as soon as possible.

GRAP 13 *Leases*

Transitional provisions

.46 All changes resulting from the application of the Standard of GRAP on Leases shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, except leases of biological assets where the transitional provision in paragraphs .108 to .114 of this Directive are applied.

.47 When an entity initially adopts a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to apply the requirements of the Standard being adopted retrospectively.

.48 On initial adoption of the Standard of GRAP on *Leases*, where biological assets that form part of an agricultural activity are leased, the transitional provision in paragraphs .108 to .114 of this Directive should be used to initially recognise such leases in the financial statements.

.49 Where items have not been recognised and/or measured as a result of transitional provisions under other Standards of GRAP, the Standard of GRAP on Leases does not apply to those items.

.50 The transitional provisions in other Standards of GRAP take precedence over the requirements of the Standard of GRAP on *Leases.* The requirements of the Standard of GRAP on *Leases* will therefore not apply to an item until the transitional provisions in the relevant Standards of GRAP expire and the item is recognised and/or measured in the financial statements.

.51 While entities are not required to recognise and/or measure finance lease assets/liabilities in their financial statements in relation to those assets and liabilities that have not been recognised and/or measured as a result of applying the transitional provisions in other Standards of GRAP, entities are required to apply the disclosure requirements included in the Standard of GRAP on *Leases* insofar as the lease assets/ liabilities have been identified.

GRAP 16 *Investment Property*

Transitional provisions

.52 All changes resulting from the application of the Standard of GRAP on Investment Property shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

.53 When an entity initially adopts a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to apply the requirements of the Standard being adopted retrospectively.

.54 Entities are not required to measure investment properties for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment Property subject to the provisions in paragraph .56 below.

.55 Where investment properties are acquired through a transfer of functions, the entity is not required to measure the investment properties for a period of three years from the effective date of the Standard or the effective date of the transfer of functions, whichever is later, subject to the provisions in paragraph .56 below.

.56 If the initial accounting for investment properties are incomplete by the end of a reporting period in which the Standard becomes effective or the transfer occurs, whichever is later, the entity shall report in its financial statements provisional amounts for the investment properties for which the accounting is incomplete. During the measurement period, the entity shall retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the effective date of the Standard in accordance with paragraph .54 or the transfer date in accordance with paragraph .55, and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the entity shall also recognise additional investment property if information is obtained about the existence of investment properties at the effective date of the Standard or the transfer date, whichever is applicable, and, if it had been known, would have resulted in the recognition of the investment properties at that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed at the effective date of the Standard or the transfer date, whichever is applicable, or learns that no more information is obtainable. However, the measurement period shall not exceed the later of three years from the effective date of the Standard or the transfer date.

.57 The exemption from applying the measurement requirements of the Standard of GRAP on *Investment Property* implies that any associated presentation and disclosure requirements need not be complied with for investment properties not measured in accordance with the requirements of the Standard of GRAP on *Investment Property*.

.58 Until such time as the transitional provisions in paragraphs .54 to .56 expires, entities need not comply with the Standards of GRAP on

- ***Presentation of Financial Statements,***
- ***The Effects of Changes in Foreign Exchange Transactions,***
- ***Leases,***
- ***Segment Reporting, and***
- ***Non-current Assets Held for Sale and Discontinued Operations,***

to the extent that these Standards prescribe requirements for investment properties.

.59 Notwithstanding the transitional provisions, entities are encouraged to comply in full with the provisions of the Standard of GRAP on *Investment Property* as soon as possible.

GRAP 17 *Property, Plant and Equipment*

Transitional provisions

.60 All changes resulting from the application of the Standard of GRAP on Property, Plant and Equipment shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

.61 When an entity initially adopts a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to apply the requirements of the Standard being adopted retrospectively.

.62 Entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire.

.63 The transitional provisions in the Standard of GAMAP on *Property, Plant and Equipment* allow individual entities a period of up to three years from the date of initial adoption of the Standard of GAMAP to comply in full with the recognition requirements of that Standard, for those assets that were not previously recognised. Where entities have taken advantage of that transitional period, the period remains in force, even where entities are adopting the Standard of GRAP on *Property, Plant and Equipment* for the first time.

.64 The exemption from the recognition requirements of the Standard of GAMAP on *Property, Plant and Equipment,* implies that the associated measurement and disclosure requirements of the Standard of GRAP do not need to be complied with in respect of those classes of assets that are not recognised under paragraph .62 of this Directive.

.65 Notwithstanding paragraph .62, entities are not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, Plant and Equipment subject to the provisions in paragraph .67 below.

.66 Where property, plant and equipment are acquired through a transfer of functions, the entity is not required to measure the property, plant and equipment for a period of three years from the effective date of the Standard or the effective date of the transfer of functions, whichever is later, subject to the provisions in paragraph .67 below.

.67 If the initial accounting for property, plant and equipment is incomplete by the end of a reporting period in which the Standard becomes effective or the transfer occurs, whichever is later, the entity shall report in its financial statements provisional amounts for those items of property, plant and equipment for which the accounting is incomplete. During the measurement period, the entity shall retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the effective date of the Standard in accordance with paragraph .65 or the

transfer date in accordance with paragraph .66, and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the entity shall also recognise additional items of property, plant and equipment if information is obtained about the existence of those property, plant and equipment at the effective date of the Standard or the transfer date, whichever is applicable, and, if it had been known, would have resulted in the recognition of those property, plant and equipment at that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed at the effective date of the Standard or the transfer date, whichever is applicable, or learns that no more information is obtainable. However, the measurement period shall not exceed the later of three years from the effective date of the Standard or the transfer date.

.68 The exemption from applying the measurement requirements of the Standard of GRAP on *Property, Plant and Equipment* implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on *Property, Plant and Equipment*.

.69 Until such time as the transitional provisions in paragraphs .62 to .67 expires, entities need not comply with the Standards of GRAP on

- ***Presentation of Financial Statements,***
- ***The Effects of Changes in Foreign Exchange Transactions,***
- ***Leases,***
- ***Segment Reporting, and***
- ***Non-current Assets Held for Sale and Discontinued Operations,***

to the extent that these Standards prescribe requirements for property, plant and equipment.

.70 Notwithstanding the transitional provisions, entities are encouraged to comply in full with the provisions of the Standard of GRAP on *Property, Plant and Equipment* as soon as possible.

GRAP 18 *Segment Reporting (as revised in 2011)*

Transitional provisions

.71 All provisions of the Standard of GRAP on Segment Reporting shall be applied on or after the effective date of the Standard, except in relation to items that have not been recognised and/or measured in accordance with the relevant Standards of GRAP as a result of transitional provisions under those Standards.

.72 Transitional provisions in other Standards of GRAP take precedence over the requirements of the Standard of GRAP on *Segment Reporting*. The requirements of the Standard of GRAP on *Segment Reporting* will therefore not apply to an item until the transitional provisions in the relevant other Standards of GRAP expire, and the item is recognised and/or measured in the financial statements.

.73 On the first time adoption of the Standard of GRAP on Segment Reporting, comparative segment information need not be presented.

GRAP 19 ***Provisions, Contingent Liabilities and Contingent Assets***

Transitional provisions

.74 All changes resulting from the application of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

.75 When an entity initially adopts a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to apply the requirements of the Standard being adopted retrospectively.

.76 Where provisions are acquired through a transfer of functions, the entity is not required to measure these provisions for a period of three years from the effective date of the Standard or the effective date of the transfer of functions, whichever is later, subject to the provisions in paragraph .77 below.

.77 If the initial accounting for provisions is incomplete by the end of a reporting period in which the Standard becomes effective or the transfer occurs, whichever is later, the entity shall report in its financial statements provisional amounts for those provisions for which the accounting is incomplete. During the measurement period, the entity shall retrospectively adjust the provisional amounts recognised to reflect new information obtained about facts and circumstances that existed on the transfer date in accordance with paragraph .76, and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the entity shall also recognise additional provisions if information is obtained about the existence of those provisions at the transfer date, and, if it had been known, would have resulted in the recognition of those provisions at that date. The measurement period ends as soon as the entity receives the information it is seeking about facts and circumstances that existed at the transfer date, or learns that no more information is obtainable. However, the measurement period shall not exceed the later of three years from the effective date of the Standard or the transfer date.

.78 Where contingent liabilities and contingent assets are assumed through a transfer of functions, the entity is not required to disclose those contingent liabilities and contingent assets for a period of three years from the effective date of the Standard of GRAP or the transfer of functions, whichever is later, subject to the provisions in paragraph .79 below.

.79 If the initial disclosure of contingent liabilities and contingent assets is incomplete by the end of a reporting period in which the Standard becomes effective or the transfer occurs, whichever is later, the entity shall disclose in its financial statements provisional amounts for those contingent liabilities and contingent assets for which the disclosure is incomplete. During the measurement period, the entity shall retrospectively adjust the provisional amounts disclosed to reflect new information obtained about facts and circumstances that existed on the transfer date in accordance with paragraph .78, and, if

known, would have affected the disclosure of contingent liabilities and contingent assets as of that date. During the measurement period, the entity shall also disclose additional contingent liabilities and contingent assets if new information is obtained about facts and circumstances that existed at the transfer date, and, if it had been known, would have resulted in the disclosure of those contingent liabilities and contingent assets as of that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed at the transfer date or learns that no more information is obtainable. The measurement period shall not exceed the later of three years from the effective date of the Standard or the transfer date.

.80 The exemption from applying the measurement requirements of the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets* implies that any associated presentation and disclosure requirements need not be complied with for provisions, contingent liabilities and contingent assets not measured or disclosed in accordance with the requirements of the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets*.

.81 Until such time as the measurement period in paragraphs .76 to .80 expires, entities need not comply with the Standards of GRAP on

- ***Presentation of Financial Statements,***
- ***The Effects of Changes in Foreign Exchange Transactions,***
- ***Segment Reporting, and***
- ***Non-current Assets Held for Sale and Discontinued Operations,***

to the extent that these Standards prescribe requirements for provisions, contingent liabilities and contingent assets.

.82 Notwithstanding the transitional provisions, entities are encouraged to comply in full with the provisions of the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets* as soon as possible.

.83 The transitional provisions in other Standards of GRAP take precedence over the requirements of the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets*. The requirements of the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets* will therefore not apply to an item until the transitional provisions in the relevant Standards of GRAP expire and the item is recognised and/or measured in the financial statements.

.84 While entities are not required to recognise and/or measure provisions (which form part of the cost of an asset) in their financial statements as a result of applying the transitional provisions in other Standards of GRAP, entities are required to apply the disclosure requirements about the provisions related to those assets in accordance with the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets*.

GRAP 20 *Related Party Disclosures*

Transitional provisions

.85 With the exception of paragraph .87 below, the requirements resulting from the application of the Standard of GRAP on Related Party Disclosures shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

.86 When an entity initially adopts a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to apply the requirements of the Standard being adopted retrospectively.

.87 Except for those disclosures that are exempt in paragraph .32 of the Standard, in the year that an entity initially adopts the Standard of GRAP on Related Party Disclosures, it discloses comparative information for the disclosures required in paragraph .27,.28 and .34 of the Standard to the extent that the information was previously disclosed in the financial statements. Where the information was not previously disclosed in the financial statements, paragraphs .27, .28 and .34 of the Standard are applied prospectively.

.88 As a result of applying the transitional provisions outlined in paragraph .87 of this Directive, the following information shall be disclosed on the initial adoption of the Standard of GRAP on *Related Party Disclosures*:

(a) Where entities have previously disclosed the information required by paragraphs .27 and .28 of the Standard in their financial statements they should provide comparative information in the year that the entity initially adopts the Standard, except in relation to information that is exempt from disclosure in paragraph .32 (see paragraph (b) below). Where the information was not previously disclosed in the financial statements, an entity provides the information for the current year only and is not required to provide comparative information in the year that it initially adopts the Standard.

(b) Entities should not provide comparative information for the disclosures required in paragraph .27 and .28 of the Standard, if these disclosures are exempt in paragraph .32, even if such information was included in the financial statements in prior years. Entities should provide comparative information for the requirements in paragraph .34 of the Standard to the extent that such information was previously disclosed in the financial statements.

GRAP 21 *Impairment of Non-cash-generating Assets*

Transitional provisions

.89 An entity shall apply the requirements of the Standard of GRAP on Impairment of Non-cash-generating Assets prospectively from the effective date of the Standard, except in relation to items that have not been recognised and/or measured in accordance with other Standards of GRAP as a result of transitional provisions under those Standards of GRAP.

.90 Transitional provisions in other Standards of GRAP take precedence over the requirements of the Standard of GRAP on *Impairment of Non-cash-generating Assets*. The Standard of GRAP on *Impairment of Non-cash-generating Assets* will therefore not apply to an item until the transitional provisions in those other Standards of GRAP expire, and the item is recognised and/or measured in the financial statements.

GRAP 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)*

Transitional provisions

.91 All changes resulting from the application of the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers) shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

.92 When an entity initially adopts a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to apply the requirements of the Standard being adopted retrospectively.

GRAP 24 *Presentation of Budget Information in Financial Statements*

Transitional provisions

.93 An entity shall apply the requirements of the Standard of GRAP on Presentation of Budget Information in Financial Statements prospectively.

GRAP 25 *Employee Benefits*

Transitional provisions

All employee benefits

.94 All changes resulting from the application of the Standard of GRAP on Employee Benefits shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

.95 When an entity initially adopts a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to apply the requirements of the Standard being adopted retrospectively.

Defined benefit plans

.96 On the initial adoption of the Standard of GRAP on Employee Benefits, an entity shall determine the net liability (asset) for defined benefit plans at that date as:

(a) the present value of the obligations (see paragraphs .76 - .112 of the Standard) at the date of adoption;

(b) minus the fair value, at the date of adoption, of plan assets (if any) out of which the obligations are to be settled directly (see paragraphs .113 - .122 of the Standard);

(c) plus any liability that may arise as a result of a minimum funding requirement (see paragraphs .71 - .73 of the Standard).

.97 If the amount determined for defined benefit plans on initial adoption of the Standard of GRAP on Employee Benefits is negative (an asset), the amount shall be measured using the asset recognition ceiling in paragraphs .68 - .70 of the Standard.

.98 The net liability (asset) recognised at the date of adoption in accordance with paragraph .96 includes all cumulative actuarial gains and losses and past service costs.

.99 The net liability (asset) on the date of adoption includes both recognised and previously unrecognised actuarial gains and losses and past service costs that arose in prior periods.

.100 Any difference between the net liability (asset) determined using the Standard of GRAP on Employee Benefits and the entity's previous accounting policy is accounted for retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

.101 In the year of adoption, an entity is required to present a reconciliation of the net liability (asset) determined using its previous accounting policy, and the net liability (asset) determined using the Standard of GRAP on Employee Benefits, showing separately the effect of:

(a) unrecognised actuarial gains and losses;

(b) unrecognised past service costs; and

(c) other changes.

The reconciliation shall be presented in the notes to the financial statements.

.102 In the year that an entity initially adopts the Standard of GRAP on Employee Benefits, it discloses the information in .136(m) to the extent that it is available and/or previously disclosed.

.103 The information specified in paragraph .136(m) relates to the present value of the defined benefit obligation, the fair value of the plan assets, the surplus or deficit in the plan, and certain experience adjustments. This information is required for the current and previous four reporting periods. An entity discloses this information to the extent that it is available and/or was previously disclosed. For example, if an entity only has information about the last three reporting periods, then disclosure of the current year and three-year historical information is sufficient in the year of adoption.

GRAP 26 *Impairment of Cash-generating Assets*

Transitional provisions

.104 An entity shall apply the requirements of the Standard of GRAP on Impairment of Cash-generating Assets prospectively from the effective date of the Standard, except in relation to items that have not been recognised and/or measured in accordance with other Standards of GRAP as a result of transitional provisions under those Standards of GRAP.

.105 Transitional provisions in other Standards of GRAP take precedence over the requirements of the Standard of GRAP on *Impairment of Cash-generating Assets*. The requirements of the Standard of GRAP on *Impairment of Cash-generating Assets* will therefore not apply to an item until the transitional provisions in those other Standards of GRAP expire, and the item is recognised and/or measured in the financial statements.

GRAP 100 *Non-current Assets Held for Sale and Discontinued Operations*

Transitional provisions

.106 The provisions of the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be applied prospectively to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and/or operations that meet the criteria to be classified as discontinued on or after the effective date of the Standard, except in relation to non-current assets (or disposal groups)that have not been recognised and/or measured as a result of transitional provisions another Standard of GRAP.

.107 Transitional provisions in other Standards of GRAP take precedence over the requirements of the Standard of GRAP on *Non-current Assets Held for Sale and Discontinued Operations*. The requirements of the Standard of GRAP on *Non-current Assets Held for Sale and Discontinued Operations* will therefore not apply to an item until the transitional provisions in the relevant Standards of GRAP expire and the item is recognised and/or measured in the financial statements.

GRAP 101 *Agriculture*

Transitional provisions

.108 ***Any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard of GRAP on Agriculture is initially adopted. On initial adoption of the Standard, comparative information is not required to be restated.***

.109 ***Entities are not required to recognise and/or measure biological assets and/or agricultural produce for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Agriculture subject to the provisions in paragraph .111 below.***

.110 ***Where biological assets and/or agricultural produce are acquired through a transfer of functions, the entity is not required to measure the biological assets and/or agricultural produce for a period of three years from the effective date of the Standard or the effective date of the transfer of functions, whichever is later, subject to the provisions in paragraph .111 below.***

.111 ***If the initial accounting for biological assets and/or agricultural produce is incomplete by the end of a reporting period in which the Standard becomes effective or the transfer occurs, whichever is later, the entity shall report in its financial statements provisional amounts for those biological assets and/or agricultural produce for which the accounting is incomplete. During the measurement period, the entity shall retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the effective date of the Standard in accordance with paragraph .109 or the transfer date in accordance with paragraph .110, and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the entity shall also recognise additional biological assets and/or agricultural produce if information is obtained about the existence of those items at the effective date of the Standard or the transfer date, whichever is applicable, and, if it had been known, would have resulted in the recognition of those biological assets and/or agricultural produce at that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed at the effective date of the Standard or the transfer date, whichever is applicable, or learns that no more information is obtainable. However, the measurement period shall not exceed the later of three years from the effective date of the Standard or the transfer date.***

.112 The exemption from applying the measurement requirements of the Standard of GRAP on *Agriculture* implies that any associated presentation and disclosure requirements need not be complied with for biological assets and/or agricultural produce not recognised and/or measured in accordance with the requirements of the Standard of GRAP on *Agriculture*.

.113 Until such time as the transitional provisions in paragraphs .109 to .110 expires, entities need not comply with the Standards of GRAP on

- ***Presentation of Financial Statements,***
- ***The Effects of Changes in Foreign Exchange Transactions,***
- ***Leases,***
- ***Segment Reporting, and***
- ***Non-current Assets Held for Sale and Discontinued Operations,***

to the extent that these Standards prescribe requirements for biological assets and/or agricultural produce.

.114 Notwithstanding the transitional provisions, entities are encouraged to comply in full with the provisions of the Standard of GRAP on *Agriculture* as soon as possible.

GRAP 102 *Intangible Assets*

Transitional provisions

.115 All changes resulting from the application of the Standard of GRAP on Intangible Assets shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

.116 When an entity initially adopts a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to apply the requirements of the Standard being adopted retrospectively.

.117 Notwithstanding the requirements in paragraph .74 in the Standard of GRAP on *Intangible Assets,* where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets shall be recognised in accordance with the Standard.

.118 Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets subject to the provisions in paragraph .120 below.

.119 Where intangible assets are acquired through a transfer of functions, the entity is not required to measure the intangible assets for a period of three years from the effective date of the Standard of the effective date of the transfer of functions, whichever is later, subject to the provisions in paragraph .120 below.

.120 If the initial accounting for intangible assets is incomplete by the end of a reporting period in which the Standard becomes effective or the transfer occurs, whichever is later, the entity shall report in its financial statements provisional amounts for those intangible assets for which the accounting is incomplete. During the measurement period, the entity shall retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the effective date of the Standard in accordance with paragraph .118 or the transfer date in accordance with paragraph .119, and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the entity shall also recognise additional intangible assets if information is obtained about the existence of those items at the effective date of the Standard or the transfer date, whichever is applicable, and, if it had been known, would have resulted in the recognition of those intangible assets at that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed at the effective date of the Standard or the transfer date, whichever is applicable, or learns that no more information is obtainable. However, the measurement period shall not exceed the later of three years from the effective date of the Standard or the transfer date.

.121 The exemption from applying the measurement requirements of the Standard of GRAP on *Intangible Assets* implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on *Intangible Assets*.

.122 Until such time as the transitional provisions period in paragraphs .118 to .120 expires, entities need not comply with the Standards of GRAP on

- ***Presentation of Financial Statements,***
- ***The Effects of Changes in Foreign Exchange Transactions,***
- ***Leases,***
- ***Segment Reporting, and***
- ***Non-current Assets Held for Sale and Discontinued Operations,***

to the extent that these Standards prescribe requirements for intangible assets.

.123 Notwithstanding the transitional provisions, entities are encouraged to comply in full with the provisions of the Standard of GRAP on *Intangible Assets* as soon as possible.

GRAP 103 *Heritage Assets*

.124 All changes resulting from the application of the Standard of GRAP on Heritage Assets shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

.125 When an entity initially adopts a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to apply the requirements of the Standard being adopted retrospectively.

.126 Entities are not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage Assets subject to the provisions in paragraph .128 below.

.127 Where heritage assets are acquired through a transfer of functions, the entity is not required to measure the heritage assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later, subject to the provisions in paragraph .128 below.

.128 If the initial accounting for heritage assets is incomplete by the end of a reporting period in which the Standard becomes effective or the transfer occurs, whichever is later, the entity shall report in its financial statements provisional amounts for those heritage assets for which the accounting is incomplete. During the measurement period, the entity shall retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the effective date of the Standard in accordance with paragraph .126 or the transfer date in accordance with paragraph .127, and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the entity shall also recognise additional heritage assets if information is obtained about the existence of those heritage assets at the effective date of the Standard or the transfer date, whichever is applicable, and, if it had been it had been known, would have resulted in the recognition of those heritage assets at that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed at the effective date of the Standard or the transfer date, whichever is applicable, or learns that no more information is obtainable. However, the measurement period shall not exceed the later of three years from the effective date of the Standard or the transfer date.

.129 The exemption from applying the measurement requirements of the Standard of GRAP on *Heritage Assets* implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in the accordance with the requirements of the Standard of GRAP on *Heritage Assets*.

.130 Until such time as the transitional provisions in paragraphs .126 to .128 expires, entities need not comply with the Standards of GRAP on

- ***Presentation of Financial Statements,***
- ***The Effects of Changes in Foreign Exchange Transactions,***
- ***Leases,***
- ***Segment Reporting, and***
- ***Non-current Assets Held for Sale and Discontinued Operations***

to the extent that these Standards prescribe requirements for heritage assets.

.131 Notwithstanding the transitional provisions, entities are encouraged to comply in full with the provisions of the Standard of GRAP on *Heritage Assets* as soon as possible.

GRAP 104 *Financial Instruments*

Transitional provisions

General

.132 All changes resulting from the application of the Standard of GRAP on Financial Instruments shall be accounted for retrospectively in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, except for those changes specified in paragraphs .133 and .134.

.133 The Standard of GRAP on Financial Instruments shall not be applied to financial assets, financial liabilities and residual interests that have already been derecognised at the date of initial adoption.

.134 An entity shall apply the derecognition requirements in paragraphs .65 to .79 of the Standard relating to financial assets prospectively. Accordingly:

(a) If an entity previously derecognised financial assets and those assets would not have been derecognised under this Standard, it shall not recognise those assets.

(b) An entity should assess whether any financial assets recognised at the date of initially adopting this Standard, qualify for derecognition using the requirements of this Standard.

.135 On initial adoption of this Standard the cumulative balance of any gains and losses on financial instruments recognised outside of surplus or deficit in previous reporting periods shall be:

(a) adjusted against accumulated surplus or deficit; and

(b) any related comparative amounts restated,

except those relating to gains and losses arising from the application of hedge accounting in accordance with International Financial Reporting Standards.

.136 In accordance with the Standard of GRAP on *Financial Instruments*, an entity may apply hedge accounting in accordance with the International Financial Reporting Standard. Where an entity applied hedge accounting in accordance with the International Financial Reporting Standards prior to adopting this Standard and continues to apply such hedge accounting after adoption, it does not recognise the cumulative gains and losses recognised outside surplus or deficit, in accumulated surplus or deficit. Instead, it will apply the requirements of the International Financial Reporting Standards to those gains and losses.

Scope

.137 On the initial adoption of this Standard, an entity shall:

(a) derecognise any previously recognised loan commitments and financial guarantee contracts which are excluded from the scope of the Standard in paragraph .03(e) and (f); and

(b) assess whether such loan commitments or financial guarantee contracts should be

recognised and/or disclosed in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets.

Categories of financial assets and financial liabilities

.138 At the date of initial adoption, an entity may designate a financial asset or a financial liability at fair value in accordance with paragraph .17 of the Standard. Such a designation shall be made on the basis of the facts and circumstances that exist at the date of adoption. That classification shall be applied retrospectively.

.139 At the date of initial adoption, an entity:

(a) shall revoke its previous designation of a financial liability measured at fair value if that financial liability does not meet the circumstances in paragraph .17 of the Standard; and

(b) may revoke its previous designation of a financial asset or a financial liability at fair value, even if the circumstances in paragraph .17 of the Standard are met.

Such a revocation shall be made on the basis of the facts and circumstances that exist at the date of initial adoption. That classification shall be applied retrospectively.

.140 As a result of adopting this Standard, an entity may be required, or in accordance with paragraph .139, elect to measure a financial asset or financial liability at amortised cost instead of fair value. The entity shall treat the fair value of the financial asset or financial liability at the end of each comparative period as its amortised cost. In those circumstances, the fair value of the financial asset or the financial liability at the date of initial adoption shall be the amortised cost of that financial asset or financial liability at the date of adopting this Standard.

GRAP 105 *Transfer of Functions Between Entities Under Common Control*

Transitional provisions

.141 The requirements in the Standard of GRAP on Transfer of Functions Between Entities Under Common Control shall be applied prospectively to a transaction or event that involves a transfer of functions when the transfer date is on or after the initial adoption of the Standard. The transitional provisions should be read in conjunction with the requirements on the measurement period as included in paragraphs .40 to .45 of the Standard.

.142 The Standard of GRAP on *Transfer of Functions Between Entities Under Common Control* only applies to a transfer of functions that occurs after the initial adoption of the Standard. Assets acquired and liabilities assumed as a result of a transfer of functions where the transfer date preceded the adoption of the Standard, should not be adjusted upon initial adoption of the Standard.

GRAP 106 *Transfer of Functions Between Entities Not Under Common Control*

Transitional provisions

.143 The requirements in the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control shall be applied prospectively to a transaction or event that involves a transfer of functions when the acquisition date is on or after the initial adoption of the Standard. The transitional provisions should be read in conjunction with the requirements on the measurement period as included in paragraphs .72 to .77 of the Standard.

.144 The Standard of GRAP on *Transfer of Functions Between Entities Not Under Common Control* only applies to a transfer of functions that occurs after the initial adoption of the Standard. Assets acquired and liabilities assumed as a result of a transfer of functions where the acquisition date preceded the adoption of the Standard, should not be adjusted upon initial adoption of the Standard.

.145 On the initial adoption of the Standard, the opening balance of any recognised goodwill, that arose from a transfer of functions where the acquisition date preceded the adoption of the Standard of GRAP on *Transfer of Functions Between Entities Not Under Common Control*, should be recognised against accumulated surplus or deficit for the earliest period presented.

GRAP 107 ***Mergers***

Transitional provisions

.146 The requirements in the Standard of GRAP on Mergers shall be applied prospectively to a transaction or event that involves a merger when the merger date is on or after the initial adoption of the Standard. The transitional provisions should be read in conjunction with the requirements on the measurement period as included in paragraphs .24 to .29 of the Standard.

.147 The Standard of GRAP on *Mergers* only applies to a merger that occurs after the initial adoption of the Standard. Assets acquired and liabilities assumed as a result of a merger where the merger date preceded the adoption of the Standard, should not be adjusted upon initial adoption of the Standard.