



Accounting Standards Board

# **ACCOUNTING STANDARDS BOARD**

## **DIRECTIVE 8**

### **TRANSITIONAL PROVISIONS FOR PARLIAMENT AND PROVINCIAL LEGISLATURES**



## Directive 8

Accounting Standards Board

P O Box 74219

Lynnwood Ridge

0040

Fax: +27 11 697 0666

E-mail Address: [info@asb.co.za](mailto:info@asb.co.za)

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## DIRECTIVE ON TRANSITIONAL PROVISIONS FOR PARLIAMENT AND PROVINCIAL LEGISLATURES

*Directive 8 was issued in June 2010. Since then the Directive has been amended as follows:*

- The scope of the Directive was amended to include the provincial legislatures in November 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 *Segment Reporting* (GRAP 18(2011)), *Related Party Disclosures* (GRAP 20), *Transfers of Functions Between Entities Under Common Control* (GRAP 105), *Transfers of Functions Not Between Entities Under Common Control* (GRAP 106) and *Mergers* (GRAP 107) (November 2011).

### Introduction

The Accounting Standards Board (the 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). In accordance with section 89 of the PFMA, 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.

Section 56 of the Financial Management of Parliament Act (Act No 10 of 2009) requires that Parliament prepare its financial statements in accordance with standards of generally recognised accounting practice. "Standards of generally recognised accounting practice" in this Act means an accounting practice complying with the standards issued by the Minister of Finance on the advice of the Accounting Standards Board.

A similar definition is included in the legislation governing the financial management of each provincial legislature.

Parliament and the provincial legislatures thus apply the Standards of GRAP as issued by the Accounting Standards Board and approved by the Minister of Finance.

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



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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 Standard(s) of GRAP, as well as the *Preface to the Directives*.

## Objective

- .01 The objective of this directive is to prescribe the transitional provisions for individual Standards of GRAP when they are initially adopted by Parliament and the provincial legislatures (referred to as “legislatures”). Where this directive does not prescribe specific transitional provisions for a Standard of GRAP, the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* should be applied.
- .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 the relevant Standard(s) of GRAP.

## Scope

- .03 This directive shall be applied by Parliament and the legislatures on the initial adoption of Standards of GRAP.

## Effective date

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

## GRAP 1 *Presentation of Financial Statements*

### Transitional provisions

- .05 All provisions of the Standard of GRAP on Presentation of Financial Statements shall be applied on or after the effective date of the Standard, except in relation to items that have not been measured in accordance with other Standards of GRAP as a result of transitional provisions under those Standards of GRAP.**
- .06 Transitional provisions in the Standards of GRAP on *Inventories, Investment Property, Property, Plant and Equipment, Intangible Assets* or *Heritage Assets* take precedence over the requirements of the Standard of GRAP on *Presentation of Financial Statements*. 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 appropriately measured in the financial statements.
- .07 Where Parliament and the legislatures have 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 they have taken advantage of the transitional provisions;**
  - (b) the classes of assets and/or liabilities that have not been measured in accordance with the applicable Standards of GRAP at the previous reporting date, but which are now so measured;**
  - (c) the nature and amount of any measurement period adjustments recognised during the reporting period; and**
  - (d) information on the progress made towards measuring assets or liabilities in accordance with the requirements of Standards of GRAP.**



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### **GRAP 9 Revenue from Exchange Transactions**

#### **Transitional provisions**

- .08 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.**
- .09 When Parliament and the legislatures initially adopt this Standard of GRAP, they are required to apply the Standard retrospectively in accordance with the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors*.

## GRAP 12 Inventories

### Transitional provisions

- .10 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.**
- .11 Parliament and the legislatures 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 of paragraph .12 below.**
- .12 If the initial accounting for inventories is incomplete by the end of a reporting period in which the Standard becomes effective, Parliament and the legislatures shall report in their financial statements provisional amounts for those inventories for which the accounting is incomplete. During the measurement period, Parliament and the legislatures shall retrospectively adjust the provisional amounts recognised to reflect new information obtained about facts and circumstances that existed on the effective date of the Standard in accordance with paragraph .11, and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as Parliament and the legislatures receive the information they were seeking about facts and circumstances that existed at the effective date of the Standard, or learn that no more information is obtainable. However, the measurement period shall not exceed three years from the effective date of the Standard.**
- .13 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*.
- .14 Until such time as the measurement period in paragraph .12 expires, Parliament and the legislatures need not comply with the Standards of GRAP on**
- Presentation of Financial Statements, and**
  - Non-current Assets Held for Sale and Discontinued Operations,**
- to the extent that these Standards prescribe requirements for inventories.**
- .15 Notwithstanding the transitional provisions, Parliament and the legislatures 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

- .16 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.**
- .17 When Parliament and the legislatures initially adopts this Standard of GRAP, they are required to apply the Standard retrospectively in accordance with the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors*.
- .18 Where items have not been measured as a result of transitional provisions under other Standards of GRAP, the Standard of GRAP on Leases does not apply to those items.**
- .19 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.
- .20 While Parliament and the legislatures are not required to recognise finance lease assets/liabilities in their financial statements in relation to those assets that have not been measured as a result of applying the transitional provisions in other Standards of GRAP, they 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

- .21 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.**
- .22 Parliament and the legislatures 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 of paragraph .23 below.**
- .23 If the initial accounting for investment properties is incomplete by the end of a reporting period in which the Standard becomes effective, Parliament and the legislatures shall report in their financial statements provisional amounts for those investment properties for which the accounting is incomplete. During the measurement period, Parliament and the legislatures shall retrospectively adjust the provisional amounts recognised to reflect new information obtained about facts and circumstances that existed on the effective date of the Standard in accordance with paragraph .22, and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as Parliament and the legislatures receives the information they were seeking about facts and circumstances that existed at the effective date of the Standard, or learn that no more information is obtainable. However, the measurement period shall not exceed three years from the effective date of the Standard.**
- .24 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 property not measured in accordance with the requirements of the Standard of GRAP on *Investment Property*.
- .25 Until such time as the measurement period in paragraph .23 expires, Parliament and the legislatures need not comply with the Standards of GRAP on**
- ***Presentation of Financial Statements,***
  - ***Leases, and***
  - ***Non-current Assets Held for Sale and Discontinued Operations,***
- to the extent that these Standards prescribe requirements for investment properties.***
- .26 Notwithstanding the transitional provisions, Parliament and the legislatures 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**

- .27 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.**
- .28 Parliament and the legislatures 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 of paragraph .29 below.**
- .29 If the initial accounting for property, plant and equipment is incomplete by the end of a reporting period in which the Standard becomes effective, Parliament and the legislatures shall report in their financial statements provisional amounts for property, plant and equipment for which the accounting is incomplete. During the measurement period, Parliament and the legislatures shall retrospectively adjust the provisional amounts recognised to reflect new information obtained about facts and circumstances that existed on the effective date of the Standard in accordance with paragraph .28, and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as Parliament and the legislatures receives the information they were seeking about facts and circumstances that existed at the effective date of the Standard, or learn that no more information is obtainable. However, the measurement period shall not exceed three years from the effective date of the Standard.**
- .30 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*.
- .31 Until such time as the measurement period in paragraph .29 expires, Parliament and the legislatures need not comply with the Standards of GRAP on**
- Presentation of Financial Statements,**
  - Leases, and**
  - Non-current Assets Held for Sale and Discontinued Operations,**
- to the extent that these Standards prescribe requirements for property, plant and equipment.**
- .32 Notwithstanding the transitional provisions, Parliament and the legislatures 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**

- .33 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 measured in accordance with the relevant Standards of GRAP as a result of transitional provisions under those Standards.**
- .34 The 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 Standards of GRAP expire and the item is measured in the financial statements.
- .35 On initial 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**

- .36 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.**
- .37 When Parliament and the legislatures initially adopts this Standard of GRAP, they are required to apply the Standard retrospectively in accordance with the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors*.
- .38 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 property, plant and equipment until the transitional provisions in the Standard of GRAP on *Property, Plant and Equipment* expires.
- .39 While Parliament and the legislatures are not required to recognise provisions (which form part of the cost of an asset) in their financial statements for those assets that have not been appropriately measured in its financial statements as a result of applying the transitional provisions in the Standard of GRAP on *Property, Plant and Equipment*, they are required to disclose information 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

- .40** *With the exception of paragraph .42 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.*
- .41 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.
- .42** *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.*
- .43 As a result of applying the transitional provisions outlined in paragraph .42 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***

- .44 *Parliament and the legislatures shall apply the requirements of the Standard of GRAP on Impairment of Non-cash-generating Assets prospectively.***
- .45 *All provisions of the Standard of GRAP on Impairment of Non-cash-generating Assets shall be applied on or after the effective date of the Standard, except in relation to items that have not been measured in accordance with other Standards of GRAP as a result of transitional provisions under those Standards of GRAP.***
- .46 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 measured in the financial statements.

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

- .47 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.**
- .48 When Parliament and the legislatures initially adopt this Standard of GRAP, they are required to apply the Standard retrospectively in accordance with the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors*.

**GRAP 24 *Presentation of Budget Information in Financial Statements***

**.49 *Parliament and the legislatures 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

**.50** *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.*

**.51** 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

**.52** *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).*

**.53** *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.*

**.54** *The net liability (asset) recognised at the date of adoption in accordance with paragraph .49 includes all cumulative actuarial gains and losses and past service costs.*

**.55** 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.

**.56** *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.*

**.57** *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*



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**(c) other changes.**

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

**.58 *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.***

**.59** 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**

- .60 Parliament and the legislatures shall apply the requirements of the Standard of GRAP on Impairment of Cash-generating Assets prospectively.**
- .61 All provisions of the Standard of GRAP on Impairment of Cash-generating Assets shall be applied on or after the effective date of the Standard, except in relation to items that have not been measured in accordance with other Standards of GRAP as a result of transitional provisions under those Standards of GRAP.**
- .62 Transitional provisions in other Standards of GRAP take precedence over the requirements of the Standard of GRAP on *Impairment of Cash-generating Assets*. 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 measured in the financial statements.

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

**Transitional provisions**

- .63 *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 measured in accordance with the relevant Standards of GRAP as a result of transitional provisions under those Standards.***
- .64 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 Standard of GRAP on *Non-current Assets Held for Sale and Discontinued Operations* will therefore not apply to non-current assets (or disposal groups) until the transitional provisions in the relevant Standards of GRAP expire.

## GRAP 102 *Intangible Assets*

### Transitional provisions

- .65 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.**
- .66 Notwithstanding the requirements of paragraph .74 of the Standard of GRAP on *Intangible Assets*, where Parliament and the legislatures 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.
- .67 Parliament and the legislatures 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 of paragraph .68 below.**
- .68 If the initial accounting for intangible assets is incomplete by the end of a reporting period in which the Standard becomes effective, Parliament and the legislatures shall report in their financial statements provisional amounts for those intangible assets for which the accounting is incomplete. During the measurement period, Parliament and the legislatures shall retrospectively adjust the provisional amounts recognised to reflect new information obtained about facts and circumstances that existed on the effective date of the Standard in accordance with paragraph.67, and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as Parliament and the legislatures receives the information they were seeking about facts and circumstances that existed at the effective date of the Standard, or learn that no more information is obtainable. However, the measurement period shall not exceed three years from the effective date of the Standard.**
- .69 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*.
- .70 Until such time as the measurement period in paragraph .68 expires, Parliament and the legislatures need not comply with the Standards of GRAP on**
- ***Presentation of Financial Statements,***
  - ***Leases, and***
  - ***Non-current Assets Held for Sale and Discontinued Operations,***
- to the extent that these Standards prescribe requirements for intangible assets.**
- .71 Notwithstanding the transitional provisions, Parliament and the legislatures 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*

- .72 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.**
- .73 Parliament and the legislatures 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 of paragraph .74 below.**
- .74 If the initial accounting for heritage assets is incomplete by the end of a reporting period in which the Standard becomes effective, Parliament and the legislatures shall report in their financial statements provisional amounts for those heritage assets for which the accounting is incomplete. During the measurement period, Parliament and the legislatures shall retrospectively adjust the provisional amounts recognised to reflect new information obtained about facts and circumstances that existed on the effective date of the Standard in accordance with paragraph .73, and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as Parliament and the legislatures receives the information they were seeking about facts and circumstances that existed at the effective date of the Standard, or learn that no more information is obtainable. However, the measurement period shall not exceed three years from the effective date of the Standard.**
- .75 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*.
- .76 Until such time as the measurement period in paragraph .74 expires, Parliament and the legislatures need not comply with the Standards of GRAP on**
- ***Presentation of Financial Statements,***
  - ***Leases, and***
  - ***Non-current Assets Held for Sale and Discontinued Operations***
- to the extent that these Standards prescribe requirements for heritage assets.**
- .77 Notwithstanding the transitional provisions, Parliament and the legislatures 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

- .78** *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 .79 and .80.*
- .79** *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.*
- .80** *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.*
- .81** *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.*
- .82** *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

- .83** *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

**.84** *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.*

**.85** *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.*

**.86** *As a result of adopting this Standard, an entity may be required, or in accordance with paragraph .85, 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**

- .87** *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.*
- .88 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**

- .89** *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.*
- .90 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.
- .91 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

- .92** *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.*
- .93 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.