



**IGRAP 15**

**ACCOUNTING STANDARDS BOARD**

**INTERPRETATION OF THE STANDARDS OF  
GENERALLY RECOGNISED ACCOUNTING  
PRACTICE**

**REVENUE – BARTER TRANSACTIONS  
INVOLVING ADVERTISING SERVICES**

**(IGRAP 15)**

### **Acknowledgement**

This Interpretation of the Standards of Generally Recognised Accounting Practice (IGRAP) is drawn primarily from the equivalent Interpretation of the International Financial Reporting Standard on *Revenue – Barter Transactions Involving Advertising Services* (SIC 31) issued by the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB). The IASB has issued a comprehensive body of IFRICs. Extracts of the IFRIC on *Revenue – Barter Transactions Involving Advertising Services* are reproduced in these Interpretations of the Standards of GRAP with the permission of the IASB.

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## **REVENUE – BARTER TRANSACTIONS INVOLVING ADVERTISING SERVICES**

### **Introduction**

### **Interpretations of the Standards of Generally Recognised Accounting Practice**

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) constitutional institutions;
- (d) municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and
- (e) 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) trading entities (as defined in the PFMA);
- (c) any other entity, other than a municipality, whose ordinary shares, potential ordinary shares or debt are publicly traded on the capital markets; and
- (d) 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.

Financial statements should be described as complying with Standards of GRAP only if they comply with all the requirements of each applicable Standard of GRAP and any related Interpretations of the Standards of GRAP.

Any limitation of the applicability of specific Standards or Interpretations of the Standards of GRAP is made clear in those Standards or Interpretations of the Standards of GRAP.



## IGRAP 15

The Interpretation of the Standard of GRAP on *Revenue – Barter Transactions Involving Advertising Services* is set out in paragraphs .01 to .08. All paragraphs in this Interpretation of the Standards of GRAP have equal authority. The status and authority of appendices are dealt with in the preamble to each appendix. This Interpretation of the Standards of GRAP should be read in the context of its objective, its basis for conclusions if applicable, the *Preface to Standards of GRAP*, the *Preface to the Interpretations of the Standards of GRAP* and the *Framework for the Preparation and Presentation of Financial Statements*.

Standards of GRAP and Interpretations of Standards of GRAP should also be read in conjunction with any directives issued by the Board prescribing transitional provisions, as well as any regulations issued by the Minister of Finance regarding the effective dates of the Standards of GRAP, published in the Government Gazette.

Reference may be made to a Standard of GRAP that has not been issued at the time of issue of this Interpretation of the Standards of GRAP. This is done to avoid having to change the Standards already issued when a later Standard is subsequently issued. Paragraph .12 of the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

## **Interpretation of the Standards of GRAP on Revenue – Barter Transactions Involving Advertising Services**

### **References**

- GRAP 3 *Accounting Policies, Changes in Accounting Estimates and Errors* (as revised in 2010)
- GRAP 9 *Revenue from Exchange Transactions* (as revised in 2010)

### **Issue**

- .01 An entity (seller) may enter into a barter transaction to provide advertising services in exchange for receiving other services from its customer (customer). Advertisements may be displayed on the Internet or poster sites, broadcast on the television or radio, published in magazines or journals, or presented in another medium. An example could be where a municipality offers advertising services to local businesses in its community newsletters in exchange for repairs and maintenance services provided by those businesses. These repair and maintenance services may, for example, take the form of repairing and maintaining office buildings or motor vehicles owned by the municipality.
- .02 In some cases, no cash or other consideration is exchanged between the entities. In some other cases, equal or approximately equal amounts of cash or other consideration are also exchanged.
- .03 A seller that provides advertising services in the course of its ordinary activities recognises revenue under the Standard of GRAP on *Revenue from Exchange Transactions* (as revised in 2010) from a barter transaction involving advertising when, amongst other criteria, the services exchanged are dissimilar in terms of paragraph .18 in the Standard of GRAP on *Revenue from Exchange Transactions* (as revised in 2010) and the amount of revenue can be measured reliably in terms of paragraph .20(a) in the Standard of GRAP on *Revenue from Exchange Transactions* (as revised in 2010). This Interpretation of the Standards of GRAP only applies to an exchange of dissimilar services. An exchange of similar advertising services is not a transaction that generates revenue under the Standard of GRAP on *Revenue from Exchange Transactions* (as revised in 2010).
- .04 The issue is under what circumstances can a seller reliably measure revenue at the fair value of advertising services received or provided in a barter transaction.

## Consensus

- .05 Revenue from a barter transaction involving advertising cannot be measured reliably at the fair value of advertising services received. However, a seller can reliably measure revenue at the fair value of the advertising services it provides in a barter transaction, by reference only to non-barter transactions that:
- (a) involve advertising similar to the advertising in the barter transaction;
  - (b) occur frequently;
  - (c) represent a predominant number of transactions and amount when compared to all transactions to provide advertising that is similar to the advertising in the barter transaction;
  - (d) involve cash and/or another form of consideration (e.g. marketable securities, non-monetary assets, and other services) that has a reliably measurable fair value; and
  - (e) do not involve the same counterparty as in the barter transaction.

## Transitional provisions

- .06 All changes resulting from the application of this Interpretation of the Standards of GRAP shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).***

## Effective date

### Initial adoption of the Standards of GRAP

- .07 This Interpretation of the Standards of GRAP becomes effective with reference to the effective date of the applicable Standards of GRAP as determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the Public Finance Management Act, Act No. 1 of 1999, as amended.***

### Entities already applying Standards of GRAP

- .08 An entity shall apply this Interpretation of the Standards of GRAP for annual financial statements covering periods beginning on or after 1 April 2011.***



**Comparison with the Interpretation of IFRS on *Revenue – Barter Transactions Involving Advertising Services* (SIC 31) (December 2001)**

This Interpretation of the Standards of GRAP on *Revenue – Barter Transactions Involving Advertising Services* (IGRAP 15) is drawn primarily from the Interpretation of IFRS on *Revenue – Barter Transactions Involving Advertising Services* (SIC 31). The main differences between this Interpretation and SIC 31 are as follows:

- An example has been included in this Interpretation to explain the applicability of the principles in this Interpretation to the South African public sector.