PROVINCIAL TREASURY
Provincial Government of the Western Cape

LOCAL GOVERNMENT ACCOUNTING

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TREASURY CIRCULAR MUN 1/2011

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THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT

THE CHIEF DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS - NATIONAL TREASURY (MR J HATTINGH)

ACCOUNTING STANDARDS BOARD (ASB): EXPOSURE DRAFTS (ED's) ISSUED – ED 79, ED 80 AND FAQ's (INITIAL ADOPTION OF STANDARDS OF GRAP)

1. Purpose

1.1 To inform Municipalities and Municipal entities that the Accounting Standards Board (ASB) has issued the following Exposure Drafts for public comment:

- **ED 79**: Related party disclosures
- **ED 80**: Employee benefits

1.2 To inform Municipalities and Municipal entities that the Accounting Standards Board has issued Frequently Asked Questions on the ***Initial adoption of the Standards of GRAP by entities for 2009/2010 Reporting Period (Issued 6 April 2010, updated 19 November 2010).***

1.3 To inform Municipalities and entities that the Accounting Standards Board (ASB) has issued Exposure Drafts for public comment, as well as an update to the Frequently

Asked Questions. These documents may be accessed via the following link http://www.asb.co.za

2. Background

2.1 The Accounting Standards Board (ASB) is required in terms of the Public Finance Management Act, Act No. 1 of 1999, (PFMA), to determine Standards of Generally Recognised Accounting Practice (GRAP). In developing those standards, the Board frequently consults with users of those standards as to their appropriateness for transactions undertaken in the South African public sector.

3. Following is a brief outline of the exposure drafts, as issued:

3.1 ED 79: Related party disclosures

The exposure draft seeks comment on the following matters:

- The definition of "management", in terms of the Standard of GRAP on Related Party Disclosures and IPSAS 20
- The adequacy of related party disclosures (The Standard of GRAP on Related Party Disclosures paragraph 33 and 34)

3.2 ED 80: Employee benefits

The Standard of GRAP on Employee Benefits (GRAP 25) was approved by the Accounting Standards Board as a final Standard of GRAP at its meeting held in November 2009. Section 89(1)(c) of the PFMA recommended an implementation date for GRAP 25 to the Minister of Finance, which resulted in the need to develop transitional provisions to assist entities with the initial adoption of the Standard, for inclusion in Directives 2 to 4.

3.3 Frequently Asked Questions

The Frequently Asked Questions have been prepared by the secretariat of the Accounting Standard Board in consultation with the technical division of the Auditor – General of South Africa (AGSA) and the Office of the Accountant – General at National Treasury (OAG). These frequently asked questions have not been approved by the Board. Consequently, they are not authorised to form part of the Standard of GRAP (Generally Recognised Accounting Practice).

Frequently Asked Questions provide a summarised analysis of topical issues and are not comprehensive. Any examples provided are illustrative only, are not prescriptive, and should not be used by analogy to other circumstances. In all instances, readers are encouraged to refer to the relevant Standards of Generally Recognised Accounting Practise (GRAP) Interpretation or Directives.

The questions and responses focus on issues that are of interest to municipalities for the 2009/10 reporting period. The update, as issued on 19 November 2010, has only been included in this circular for information purposes.

4. Request for comment

The Board requires that respondents express an overall opinion on the exposure drafts. Any correspondence on the exposure drafts must be supported and supplemented with detailed comment, whether supportive or critical, on the principles of the exposure draft.

The following dates have been set for comments to be submitted to the Board:

ED 79: Related party disclosures – The due date is 31 January 2011
ED 80: Employee benefits - The due date is 29 January 2011

5. Enquiries

Any further enquiries in this regard may be directed to:

- Ms Micheline Fortuin: Mifortui@pgwc.gov.za - West Coast, Overberg & Central Karoo Districts.
- Mr Thobelani Madondile: Tmadondi@pgwc.gov.za - Cape Winelands & Eden Districts and Metro.

AReddy

MR A REDDY
ACTING DIRECTOR: LOCAL GOVERNMENT ACCOUNTING SERVICES
DATE: 13/01/2011

Responses due by 31 January 2011

ACCOUNTING STANDARDS BOARD

INVITATION TO COMMENT ON THE EXPOSURE DRAFT OF THE STANDARD OF GRAP ON RELATED PARTY DISCLOSURES

(ED 79)

Issued by the
Accounting Standards Board
September 2010

Acknowledgment

This Standard of Generally Recognised Accounting Practice (GRAP) is drawn primarily from the International Public Sector Accounting Standard (IPSAS) on *Related Party Disclosures* issued by the International Federation of Accountants' International Public Sector Accounting Standards Board (IPSASB). The International Federation of Accountants (IFAC) was founded in 1977 with its mission to develop and enhance the profession with harmonised standards. IPSASB has issued a comprehensive body of IPSASs, which will be used to produce future Standards of GRAP. Extracts of the IPSAS on *Related Party Disclosures* are reproduced in this Standard of GRAP with the permission of the IPSASB.

The approved text of the IPSASs is that published by the IFAC in the English language. The IPSASs are contained in the IFAC Handbook of International Public Sector Accounting Pronouncements and are available from:

International Federation of Accountants

545 Fifth Avenue, 14th Floor

New York, New York 10017 USA

Internet: http://www.ifac.org

The proposed Standards of GRAP on *Related Party Disclosures* have also drawn on the equivalent International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). The approved text of the IFRS is that published by the IASB in the English language and copies may be obtained from:

IFRS Foundation

30 Cannon Street

London, EC4M 6XH

United Kingdom

Internet:http://www.ifrs.org

Commenting on this exposure draft

The Accounting Standards Board (the Board) seeks comment on the exposure draft of the Standard of GRAP on *Related Party Disclosures* (ED 79).

The proposals in this Exposure Draft may be modified in the final document in the light of comment received, before being issued as a final Standard of GRAP on *Related Party Disclosures*.

Comment should be submitted in writing so as to be received by **31 January 2011**. Email responses are preferred. Unless respondents to this Exposure Draft specifically request confidentiality, their comment is a matter of public record once the affected Standard of GRAP has been issued. Comment should be addressed to:

The Chief Executive Officer

Accounting Standards Board

P O Box 74219

Lynnwood Ridge

0040

Fax: +2711 697 0666

E-mail Address: info@asb.co.za

Due process and timetable

The due process followed by the Board in developing Standards of GRAP is for the Board to receive comment on the proposals set out in the Exposure Draft from preparers, users, auditors, standard setters and other parties with an interest in public sector financial reporting. Accordingly, all interested parties are therefore invited to provide comment.

Exposure Drafts will usually have a comment period of three (3) months, although shorter or longer periods may be used for certain Exposure Drafts depending on the urgency to issue the final Standard. On closure of the comment period, the Board will consider comment received on the Exposure Draft. It may modify each proposed Standard of GRAP in the light of the comment received before proceeding to issue a final Standard.

Purpose of this Exposure Draft

Decisions of users of financial statements may be influenced by information about the existence of related party relationships and transactions with those parties during a reporting period. Information about related party transactions and balance also play a significant role in assessing accountability. Transactions between related parties may be at both commercial and non-commercial terms. Irrespective of the terms, however, the disclosure of relationships and the types of transactions between related parties is useful in understanding an entity's financial statements.

The objective of the Standard of GRAP on *Related Party Disclosures* is to ensure that an entity's financial statements draw attention to the possibility that its financial performance and financial position may be affected by the existence of related party relationships as well as by transactions and outstanding balances with such parties.

The Board developed the Exposure Draft based on the International Public Sector Accounting Standard on *Related Party Disclosures* (IPSAS 20) after considering the revised International Accounting Standard on *Related Party Disclosures* (IAS 24) of 2009 and, where appropriate, local issues.

Request for comment

Comment is invited until **31 January 2011** on this Exposure Draft. The Board requires that respondents express an overall opinion on whether the Exposure Draft, in general, is supported, and supplement this opinion with detailed comment, whether supportive or critical, on the principles in the Exposure Draft. Respondents are also invited to provide detailed comment identifying the specific paragraphs to which it relates, explaining the issue and suggesting alternative wording, suitably motivated, where appropriate. The basis for accepting or rejecting significant comment will be published on the website.

Specific matters for comment

The Board would welcome comment from respondents on the following.

Question 1

The Standard of GRAP on *Related Party Disclosures* defines "management" in paragraph .10 consistent with other Standards of GRAP, and includes paragraphs .12 to .17 to explain the application of the concept of management in related parties. IPSAS 20 uses the term "key management". The Board considers that these paragraphs read with the definition are sufficiently clear to enable users to determine the appropriate level of management for related party disclosure purposes.

Do you agree or is further guidance required?

Question 2

Paragraph .33 provides an exemption from the requirement to disclose certain transactions with related parties. This applies to transactions that are within the operating procedures established by the mandate of the entity on terms and conditions no more or less favourable than those which the entity can reasonably be expected to adopt, if dealing with another entity or person for the same transaction.

Where a reporting entity is exempt from the disclosures in accordance with paragraph .33, the entity shall disclose the following information about the transactions and related outstanding balances referred to in paragraph.33. This shall be done in sufficient detail to enable users of the reporting entity's financial statements to understand the effect of related party transactions on its financial statements in respect of:

- the nature and amount of each individually significant transaction, and
- a quantitative or qualitative indication of the extent of other transactions that are collectively, but not individually, significant. Types of transactions include those listed in paragraph .30.

2.1 *Do you consider that the exemption in paragraph .33 provides sufficient relief from certain related party disclosures?*

2.2 *Do you consider that the disclosure requirements in paragraph .34 are adequate to ensure that:*

(i) relevant information is disclosed to enable users of financial statements to assess the impact of those relationships on the entity,

(ii) information that is decision useful is disclosed, and

(iii) the information that is disclosed allows accountability to be assessed.

Other matters for comment

As with any other Exposure Draft, comment on any other matter contained in the exposure draft would also be welcomed. Comment is most helpful if reference is made to a specific paragraph or group of paragraphs.

ED 79

CONTENTS

STANDARD OF GENERALLY RECOGNISED ACCOUNTING PRACTICE ON RELATED PARTY DISCLOSURES

RELATED PARTY DISCLOSURES

Introduction

Standards of Generally Recognised Accounting Practice

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).

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" in Standards of GRAP.

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

(a) government business enterprises (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 tradable 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 interpretation that may be issued in the future.

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

The Standard of GRAP on *Related Party Disclosures* is set out in paragraphs .01 to .39. All paragraphs in this Standard have equal authority. The status and authority of appendices are dealt with in the preamble to each appendix. This Standard should be read in the context of its objective, its basis for conclusions if applicable, the *Preface to Standards of GRAP* and the *Framework for the Preparation and Presentation of Financial Statements*.

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 here to a Standard of GRAP that has not been issued at the time of issue of this Standard. 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.

Objective

.01 The objective of this Standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

Scope

.02 An entity that prepares and presents financial statements under the accrual basis of accounting (in this Standard referred to as the reporting entity) shall apply this Standard in:

(a) identifying related party relationships and transactions;

(b) identifying outstanding balances, including commitments, between an entity and its related parties;

(c) identifying the circumstances in which disclosure of the items in (a) and (b) is required; and

(d) determining the disclosures to be made about those items.

.03 This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard also applies to individual financial statements.

.04 Related party transactions and outstanding balances within an economic entity are disclosed in an entity's financial statements. Intra-group related party transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements of the economic entity.

Purpose of related party disclosures

.05 Related party relationships exist throughout the public sector, because:

(a) departments and municipalities are subject to the overall direction of an executive government or council and, ultimately, parliament, and operate together to achieve the policies of the government;

(b) departments and municipalities frequently conduct activities necessary for the achievement of different parts of their responsibilities and objectives through separate controlled entities, and through entities over which they have significant influence;

(c) public entities enter into transactions with other government entities on a regular basis; and

(d) ministers, councillors or other elected or appointed members of the government and management can exert significant influence over the operations of an entity.

.06 Government and entities are expected to use resources efficiently, effectively and in the manner intended, and to deal with public monies with the highest levels of integrity. The existence of related party relationships means that one party can control, jointly control or significantly influence the activities of another party. This provides the opportunity for transactions to occur on a basis that may give one party an advantage at the expense of another. Disclosure of related party transactions, outstanding balances, and the relationship underlying those transactions is necessary for accountability purposes. It enables users to better understand the financial statements of the reporting entity because:

(a) related party relationships can influence the way in which an entity operates with other entities in achieving its objectives, and the way in which it co-operates with other entities in achieving common or collective objectives;

(b) related party relationships might expose an entity to risks or provide opportunities that would not have existed in the absence of such a relationship; and

(c) related parties may enter into transactions that unrelated parties would not enter into, or may agree to transactions on different terms and conditions than those that would normally be available to unrelated parties. This occurs frequently where goods and/or services are transferred between entities at less than full cost recovery as a part of normal operating procedures consistent with the achievement of the objectives of the entity and the government.

.07 Management holds positions of responsibility within an entity. Members of management are responsible for the strategic direction and operational management of an entity and are entrusted with significant authority. Their remuneration is often established by statute or by another body independent of the reporting entity. However, their responsibilities may enable them to influence the benefits of office that flow to them, or their related parties or parties that they represent on the governing body.

.08 Close members of the family of persons related to the entity may influence, or be influenced by, them in their transactions with the entity.

.09 Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

Definitions

.10 ***The following terms are used in this Standard with the meanings specified:***

<u>Close members of the family of a person</u> are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity. A person is considered to be a close member of the family of another person if they:

(a) are married or live together in a relationship similar to a marriage; or

(b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

<u>Control</u> is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

<u>Joint control</u> is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

<u>Management</u> are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

A <u>related party</u> is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

(a) A person or a close member of that person's family is related to the reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the management of the entity or its controlling entity.

(b) An entity is related to the reporting entity if any of the following conditions apply:

(i) the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of

which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

<u>Related party transaction</u> is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

<u>Significant influence</u> is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards, and are reproduced in the Glossary of Defined Terms published separately.

Close member of the family of a person

.11 Judgement will be necessary in determining whether a person should be identified as a close member of the family of another person for purposes of application of this Standard. In the absence of information to the contrary, such as that a spouse or other relative is estranged from the person, immediate family members and close relatives are presumed to have, or be subject to, such influence as to satisfy the definition of close members of the family of that person. At a minimum, the following should be considered to be close members of the family:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner;

(c) dependants of that person or that person's spouse or domestic partner;

(d) a grandparent, grandchild, parent, brother or sister; and

(e) a parent-in-law, brother-in-law or sister-in-law.

Management

.12 Management includes all persons having the authority and responsibility for planning, directing and controlling the activities of the entity, including:

(a) all members of the governing body of the reporting entity;

(b) where there is a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the entity, that member;

(c) any key advisors of a member or sub-committees of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the entity; and

(d) unless already included in (a), the senior management team of the entity, including the chief executive or permanent head of the entity.

.13 Where an entity is subject to the oversight of an elected or appointed representative of the governing body of the government to which the entity belongs, that person is a member of the management if the oversight function includes the authority and responsibility for planning, directing and controlling the activities of the entity.

.14 In some instances, key advisors of management, including members of the sub-committees of the governing body, may not possess sufficient authority, legal or otherwise, to satisfy the definition of management. In other instances, key advisors may be deemed to be part of management because they are responsible for planning, directing and controlling the activities of the reporting entity. Where key advisors have access to privileged information, they may be able to exercise control, joint control or have significant influence over an entity. Judgement is required in assessing whether a person that is a key advisor, or a member of a sub-committee of the governing body, is part of management.

.15 The management of controlled entities will usually not have sufficient authority and responsibility to qualify as the management (as defined by this Standard) of the reporting entity. In this case, management will consist only of those members of management who have the greatest responsibility for the reporting entity. For example, at a whole-of-government level, only members of Cabinet will satisfy the definition.

.16 The management of an economic entity may comprise persons from both the controlling entity and other entities that collectively make up the economic entity.

.17 At the whole-of-government level, the governing body may consist of elected or appointed representatives.

Related parties

.18 In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

.19 In the context of this Standard, the following are not necessarily related parties:

(a) two entities simply because they have a member of management in common or because a member of management of one entity has significant influence over the other entity;

(b) two venturers simply because they share joint control over a joint venture;

(c) (i) providers of finance,

(ii) trade unions, and

(iii) departments or municipalities that do not control, jointly control or significantly influence the reporting entity,

simply by virtue of their normal dealings with the entity (even though they may affect the freedom of action of an entity or participate in its decision-making process); or

(d) a customer, supplier, distributor or general agent with whom the entity transacts a significant volume of business, merely by virtue of the resulting economic dependence.

Remuneration of management

.20 Remuneration of management includes remuneration derived for services provided to the reporting entity in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the entity for services in any capacity other than as an employee or a member of management do not satisfy the definition of remuneration of management in this Standard. However, paragraph .27 requires other disclosures to be made about transactions and outstanding balances. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the reporting entity, such as the reimbursement of accommodation costs associated with work-related travel.

Significant influence

.21 Significant influence may be exercised in several ways, usually by representation on the governing body but also by, for example, participation in the policy making process, material transactions between entities within an economic entity, interchange of managerial personnel or dependence on technical information. Significant influence may be gained by an ownership interest, statute or agreement or otherwise. With regard to an ownership interest, significant influence is presumed in accordance with the definition contained in the Standard of GRAP on *Investments in Associates*.

Disclosure

.22 Different laws and regulations applicable to the entity may require the entity to disclose information about related party relationships, related party transactions and outstanding balances. In particular, attention is focused on the entity's transactions with management. This Standard includes the minimum disclosure requirements for related party transactions. Entities may need to consider additional disclosures as a result of applicable laws and regulations.

.23 Information required by paragraphs .24 to .36 shall be provided only if it is not already provided as part of the financial statements in accordance with legislative requirements or other Standards of GRAP.

Disclosure of control

.24 Related party relationships where control exists shall be disclosed, irrespective of whether there have been transactions between the related parties. An entity shall disclose the name of its controlling party and if different, the ultimate controlling party.

.25 To enable users of financial statements to form a view about the effects of related party relationships on a reporting entity, it is appropriate to disclose related party relationships where control exists, irrespective of whether there have been transactions between the related parties.

.26 The requirement to disclose related party relationships between controlled entities and controlling entities is in addition to the disclosure requirements in the Standards of GRAP on *Consolidated and Separate Financial Statements, Investment in Associates* and *Interest in Joint Ventures.*

Disclosure of related party transactions

.27 Subject to the exemptions in paragraph .33, if a reporting entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph .35 to disclose remuneration of management. At a minimum, disclosures shall include:

(a) the amount of the transactions;

(b) the amount of outstanding balances, including commitments; and

(i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and

(ii) details of any guarantees given or received;

(c) provisions for doubtful debts related to the amount of outstanding balances; and

(d) ***the expense recognised during the period in respect of bad or doubtful debts due from related parties.***

.28 The disclosures required by paragraph .27 shall be made separately for each of the following categories:

(a) the controlling entity;

(b) entities with joint control or significant influence over the entity;

(c) controlled entities;

(d) associates;

(e) joint ventures in which the entity is a venturer;

(f) management; and

(g) other related parties.

.29 The classification of amounts payable to and receivable from related parties in the different categories as required by paragraph .28 is an extension of the disclosure requirements in the Standard of GRAP on *Presentation of Financial Statements* for information to be presented either in the statement of financial position or in the notes. The categories are extended to provide a more comprehensive analysis of related party balances and apply to related party transactions.

.30 The following are examples of transactions that are disclosed if they are with a related party:

(a) purchases, transfers or sales of inventory (finished or unfinished);

(b) purchases, transfers or sales of property or other assets;

(c) rendering or receiving services;

(d) leases;

(e) transfers of research and development;

(f) transfers of license agreements;

(g) transfers under finance arrangements (including loans and contributions to net assets in cash or in kind and other financial support including cost sharing arrangements);

(h) provisions of guarantees or collateral; and

(i) settlement of liabilities on behalf of the entity or by the entity on behalf of the related party.

.31 To the extent that related party transactions relate to the same related party, and are of a similar nature, they may be disclosed in aggregate except when separate disclosure is necessary to provide relevant and reliable information for decision making and accountability purposes.

.32 Entities may transact extensively with each other on a daily basis. These transactions may occur at cost, less than cost or free-of-charge. Some entities are established to provide services to other entities. For example, a public entity may provide fleet services to departments or other public entities or may act as an agent to collect revenues for other entities. Commonly, all the transactions by such entities would constitute related party transactions. Departments are related parties because they are subject to common control and these transactions meet the definition of related party transactions. Disclosure of information about transactions within the mandate of that entity is not required where the transactions are consistent with normal operating procedures and are undertaken on terms and conditions that are normal for such transactions in these circumstances. The exclusion of these related party transactions from the disclosure requirements of paragraph .27 reflects that public sector entities operate together to achieve common objectives, and acknowledges that different mechanisms may be adopted for the delivery of services by public sector entities. This Standard requires disclosures of related party transactions only when those transactions are not in accordance with the operating procedures established by the reporting entity's legal mandate on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with another entity or person for the same transaction.

.33 A reporting entity is exempt from the disclosure requirements in paragraph .27(a) in relation to related party transactions if that transaction is in accordance with the operating procedures established by the mandate of the entity on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with another entity or person for the same transaction.

.34 Where a reporting entity is exempt from the disclosures in accordance with paragraph .33, the entity shall disclose the following information about the transactions and related outstanding balances referred to in paragraph .33 in sufficient detail to enable users of the reporting entity's financial statements to understand the effect of related party transactions on its financial statements:

(a) the nature and amount of each individually significant transaction, and

(b) for other transactions that are collectively, but not individually, significant, a quantitative or qualitative indication of their extent. Types of transactions include those listed in paragraph .30.

Disclosure of remuneration of management

.35 ***An entity shall disclose the remuneration of management per person and in aggregate, for each class of management, in the following categories:***

(a) fees for services as a member of management;

(b) basic salary;

(c) bonuses and performance related payments;

(d) other short term employee benefits;

(e) post employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;

(f) termination benefits;

(g) other long term benefits;

(h) any commission, gain or surplus sharing arrangements; and

(i) any other benefits received.

.36 ***Entities shall make separate disclosures about the major classes of management that they have. For example, where an entity has a governing body that is separate from its senior management group, disclosures about remuneration of the two groups must be made separately.***

.37 Where a person is a member of both the governing body and the senior management group, that person will be included in only one of those groups for the purposes of this Standard. The categories of management identified in paragraph .12 provide a guide to identifying classes of management.

Transitional provisions

.38 ***The transitional provisions to be applied by entities on the initial adoption of this Standard are prescribed in a directive(s). The provisions of this Standard should be read in conjunction with each applicable directive.***

Effective date

.39 ***This Standard of Generally Recognised Accounting Practice becomes effective on or after a date to be 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 No. 1 of 1999 as amended.***

Appendix

The appendix is illustrative only and does not form part of the Standard. The purpose of the appendix is to illustrate the application of the Standard and to assist in clarifying its meaning.

Example 1 – Identifying related parties and related party disclosures

Background

National public entity A (entity A) is in the process of preparing its financial statements for the year ended 31 March 2010. It needs to identify its related parties and make the necessary disclosures in the financial statements.

Entity structure

Entity A was established in terms of national legislation to provide training to health and safety officers across the public sector. It reports functionally to the National Department of Labour, ie the Minister of Labour is the executive authority of the entity.

Since entity A requires training material to be developed on a regular basis, it has entered into a joint venture with provincial public entity B (entity B), which also provides training in the public sector. Entity B reports functionally to the relevant provincial treasury. Entity A and entity B are the only two venturers in another entity, entity C, which is jointly-controlled by them.

Management structure

Entity A is governed by a board. The board members are appointed by the Minister of Labour. The board members comprise Mr X, (who is an independent member employed in the private sector), Mrs Y (who is employed by the Department of Labour and is a member of its executive committee), and Mr Z (who is a representative of the Department of Health). Only Mr X is remunerated. As Mrs Y and Mr Z are employed in the public sector, they are not remunerated for serving on the board of entity A.

Entity A shares an audit committee with the other public entities that have been established by the Department of Labour. Entity A does not make any monetary contribution towards the costs of the audit committee.

The chief executive officer (Mrs U), chief financial officer (Mr V) and chief operations officer (Mrs W) are responsible for planning, directing and controlling the entity's activities.

Transactions

Entity A provides training services to health and safety officers working in a variety of entities in national, provincial and local government. These services are provided on a cost recovery basis. Certain administrative costs of entity A are funded by a transfer payment from the Department of Labour.

Apart from the transactions listed in the previous paragraph, entity A undertakes the following transactions with other entities in the public sector:

- Basic services such as electricity, water and sanitation are supplied by the local municipality.
- Air travel is supplied by the national carrier, which is controlled by the national government.
- IT services are supplied by the state IT agency, which is also controlled by the national government.
- PAYE, SITE and other payroll taxes are collected by entity A and remitted to the revenue authority on a monthly basis.

As a benefit to employees, entity A issues guarantees to financial institutions for housing loans.

Mr V controls InvestProp Holdings and CleanCo. CleanCo provides cleaning services to entity A.

Analysis – Identifying related parties and related party disclosures

Part I - Related entities

<u>Related entity: Existence of control</u>

As the Minister of Labour is the executive authority of entity A, this entity is related to all other entities (and their controlled/jointly-controlled entities) for which the Minister of Finance is the executive authority and, more broadly, to all other entities controlled by the national executive.

Entity A and the Department of Labour are thus related parties.

Entity A is thus related to all entities within the economic entity (group).

<u>Related entity: Existence of joint control</u>

Entity A, together with entity B, exercises joint control over entity C. Entity C is thus a related party of entity A.

Entities A and B are not necessarily related parties for the following reasons:

- Entity B is provincial public entity which means that it is not under common control and not within the same economic entity.
- Entity B and entity A are not deemed to be related parties merely because they share joint control over a joint venture.

Entity A would, however, assess whether any other circumstances exist that may indicate that a related party relationship exists.

<u>Related entity: Entity controlled by a related person</u>

Entity A should test whether any other entities are related to it through related persons.

Mr V, the CFO, is responsible for the planning, directing and controlling the activities of entity A and is thus part of its management personnel. He also controls both CleanCo and InvestProp. Since Mr V is part of the management of entity A and controls CleanCo and InvestProp, both Clean Co and InvestProp are related to entity A.

Required disclosures

Entity A should disclose the existence of any control relationships in its financial statements, irrespective of whether there are any transactions with those entities. These disclosures should be developed in conjunction with the requirements in the Standards of GRAP on *Consolidated and Separate Financial Statements, Investments in Associates* and *Interests in Joint Ventures.*

Sufficient disclosures should be made in the financial statements about the various relationships to enable the user to understand the nature of the relationships and their effect on the financial statements.

Part II - Related persons

The Minister of Labour as the executive authority of entity A, is a related person of entity A.

The management of entity A are those responsible for planning, directing and controlling the activities of the entities. As a result, the board members, the CEO, CFO and COO are related to entity A.

The members of the audit committee may also be related in cases where they are responsible for planning, directing and controlling the activities of entity A.

Required disclosures

Entity A would disclose transactions with any related persons. Any remuneration to management is disclosed separately from other transactions.

Part III - Related party transactions

The various transactions undertaken by entity A have been analysed in the table below and rationale provided as to whether they are related party transactions or not.

Transaction	**Related party transaction**	**Not a related party transaction**
Transactions with entities		
Transfer payment from Department of Labour	The Department of Labour and entity A are related as they are under common control.	
Provision of services to other public sector entities	Entities in the national sphere of government and entity A are related as they are under common control.	Entities within each province or at each local authority level are not under common control (ie they are not part of the same economic entity). Unless there is other evidence to the contrary, the transactions with entity A are not related party transactions.
Transactions with entity B		Entity B is a provincial public entity. Entity A and entity B are therefore not under common

Transaction	Related party transaction	Not a related party transaction
		control. Entity A and entity B jointly control entity C. Entities A and B are not automatically related parties, because they are venturers of the same joint venture. Unless there is other evidence to the contrary, the transactions with entity A are not related party transactions.
Transactions with entity C	Since entity A jointly controls entity C, any transactions between entity A and entity C are related party transactions.	
Water, sanitation and electricity		The municipality and entity A are not under common control. Unless there is other evidence to the contrary, the transactions with entity A are not related party transactions.
Air travel	The national carrier and entity A are related as they are under common control.	
IT services	The state IT agency and entity A are related as they are under common control.	
PAYE, SITE and other payroll taxes		Entity A acts as an agent on behalf of its employees and the revenue authority. The payment of taxes is a transaction between taxpayers and the revenue authority and not entity A and the revenue authority.
Transactions with persons		
Remuneration (management)	Remuneration paid by entity A to Mr X, and to the CEO, CFO and COO respectively is a related party transaction. Free services provided by Mrs Y and Mr Z as result of the relationship between their employers and entity A is a related party transaction.	

Transaction	Related party transaction	Not a related party transaction
Remuneration and cost of audit committee	Free services provided by the audit committee as a result of the relationship between the Department of Labour and entity A is a related party transaction.	
Financial guarantees issued (CEO, CFO and COO)	The issue of financial guarantees to the CEO, CFO and COO constitutes part of the remuneration of management and is a related party transaction.	
Procurement of cleaning services – CleanCo	Mr V controls CleanCo. As a result, any transactions with CleanCo are related party transactions.	

Required disclosures:

Entity A should disclose the nature of its related party relationships as well as any transactions (with entities and persons), outstanding balances or commitments that will enhance the understanding of the potential effect of the relationship on the financial statements.

Entity A is not required to disclose the value of transactions with other public sector entities where the transactions are concluded within normal operating procedures and on terms that are no more or no less favourable than the terms it would use to conclude transactions with another entity or person.

Entity A is required to separately disclose any remuneration to management personnel, ie any remuneration paid to the board members or employees. Where no compensation is paid by Entity A (or the compensation is paid on its behalf) this fact should be disclosed.

Example 2 - Illustrative disclosures

Based on the analysis outlined in example 1, the following illustrative disclosures could be made in the financial statements of A[1].

Extract from the notes to the financial statements

Entity A – 31 March 2010

Note X. Related Parties

Entity A has been established by the Department of Labour in terms of national legislation. The Minister of Labour is the executive authority of entity A. Entity A is ultimately controlled by the national executive.

Entity A is controlled by the national executive. It is therefore related to all other entities within the national government.

Entity A received a transfer payment of R XXX funding for its administrative activities from the National Revenue Fund through the Department of Labour. There were no amounts owing to or by entity A to the Department of Labour.

Entity A provides training to health and safety officers within the public sector on a cost recovery basis. The revenue from these transactions is included in the Statement of Financial Performance. At 31 March 2010, the following amounts were owing to entity A by other national public sector entities (amounts owed included in short-term receivables):

31 March 2010 R'000	Nature of outstanding balance	Outstanding Balance	Provision for doubtful debt	Net Balance
Department A	Training services	X	X	X
Department E	Training services	X	X	X

Entity A shares its audit committee with the Department of Labour. Entity A does not pay for these services. The estimated saving on entity A's administrative budget amounted to R XXX.

Entity A established entity C as a joint venture with provincial public entity B. Entity C develops training material for entities A and B. Both entities pay entity C for the training material developed and have agreed to jointly fund the administrative costs of entity B. Actual expenditure for the current financial period is disclosed as the development of training

[1] Note: These disclosures are illustrative only and are not complete. The requirements in this Standard as well as other Standards of GRAP, eg the Standards of GRAP on *Consolidated and Separate Financial Statements*, *Investments in Associates* and *Interests in Joint Ventures* should also be consulted in formulating appropriate disclosures.

materials and is included in note x. The amount paid to entity C to fund administrative costs amounted to R XXX.

CleanCo, which is controlled by Mr V (the CFO), provides cleaning services to entity A. The contract is reviewed and, if appropriate, renewed on an annual basis in accordance with the supply chain management regulations. The CFO has declared his interest in this contract and has recused himself from any discussions or decisions pertaining to this contract.

Entity A used several national public sector entities as service providers during the year. These transactions were concluded on normal operating terms. The balances owing to or from these entities at year-end is as follows. These amounts are included in payables on the statement of financial position.

	Balance	**Doubtful debt**	**Amount owing to or (from)**
State IT agency	XXX	XXX	XXX
National carrier	XXX	XXX	XXX
Total	**XXX**	**XXX**	**XXX**

Entity A is governed by a board, comprising three members appointed by the Minister of Labour. These board members, together with the CEO, CFO and COO are responsible for planning, directing, and controlling the activities of the entity. During the year, the following remuneration was paid to these members of management:

	Board fees	**Basic salary**	**Other long–term benefits**	**Total**
Board member				
Mr X	XXX	_	_	XXX
Employees				
Mrs U	_	XXX	XXX	XXX
Mr V	_	XXX	XXX	XXX
Mrs W	_	XXX	XXX	XXX
Total	**XXX**	**XXX**	**XXX**	**XXX**

Only one member is remunerated by entity A. The other board members are not remunerated as they are employed by the national Departments of Labour and Health respectively. Included in other benefits is the cost of issuing financial guarantees to various financial institutions for housing loans. For the year, the cost was RXXXX for Mrs U and RXXXX for Mrs W.

Comparison with the International Public Sector Accounting Standard on Related Party Disclosures (October 2002)

The Exposure Draft on *Related Party Disclosures* is drawn primarily from the International Public Sector Accounting Standard on *Related Party Disclosures* (IPSAS 20). The main differences between ED 79 and IPSAS 20 are as follows:

- The structure of Standard of GRAP on *Related Party Disclosures* differs substantially from that of IPSAS 20. This Standard incorporate aspects of the International Accounting Standard on *Related Party Disclosures* (IAS 24) issued in November 2009. These include:
  - amendments to the objective and the scope;
  - replacement of the "related party issue" with a section dealing with the purpose of related party disclosures;
  - amendments to the definition of a related party, close members of the family, related party transaction, remuneration of key management and significant influence;
  - amendments to include "joint control";
  - deletion of the definition of "oversight" as it is contained in the definition and explanatory paragraphs of management;
  - deletion of section on voting power as it is covered by "significant influence";
  - additions for definitions of control and joint control;
  - amendments to disclosure requirements, including disclosures per the different categories of related parties;
  - deletion of explanatory paragraphs, not included in IAS 24, where specific public sector issues were not clarified;
  - deletion of disclosure requirements in relation to the remuneration of key management personnel and their close family members not in IAS 24;
  - deletion of explanatory paragraphs on materiality as it is already included in the Standards of GRAP on *Presentation of Financial Statements*;
- "Key management personnel" has been changed to "management" as that definition is consistent with the way in which management is defined in other Standards of GRAP. Parts of the IPSASB definition have been included in the explanatory paragraphs. The explanatory paragraphs were further amended to include members of the sub-committees of the governing body where they are co-

responsible for the management and control of the entity as this would be similar to key advisors.

- Examples have been amended for South African purposes.
- The disclosure requirements relating to key management have been amended to include legislative requirements in South Africa.
- The exemption from the disclosure requirements in IPSAS 20 on normal terms and conditions were amended to clarify what the types of transactions that would be exempted from being disclosed.
- This Standard includes a section on transitional provisions, not included in IPSAS 20.

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Responses due by 29 January 2011

INVITATION TO COMMENT ON THE PROPOSED TRANSITIONAL PROVISIONS FOR THE INITIAL ADOPTION OF THE STANDARD OF GRAP ON

EMPLOYEE BENEFITS

(ED 80)

Issued by the
Accounting Standards Board

September 2010

ED 80

Commenting on this exposure draft

The Accounting Standards Board (the Board) seeks comment on the exposure draft of the proposed transitional provisions for the initial adoption of the Standard of GRAP on *Employee Benefits* (GRAP 25). Once approved by the Board, these transitional provisions will be included in Directives 2 to 4 containing the transitional provisions and transitional arrangements for entities required to apply Standards of GRAP.

The proposals in this exposure draft may be modified in the final documents in the light of comment received.

Comment should be submitted in writing so as to be received by **29 January 2011**. Email responses are preferred. Unless respondents to this exposure draft specifically request confidentiality, their comment is a matter of public record once the directives to the Standards of GRAP have been amended and issued. Comment should be addressed to:

The Chief Executive Officer

Accounting Standards Board

P O Box 74219

Lynnwood Ridge

0040

Fax: +2711 697 0666

Email Address: info@asb.co.za

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INTRODUCTION

Standards of Generally Recognised Accounting Practice

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).

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), as codified by the Accounting Practices Board and issued by the South African Institute of Chartered Accountants, to be GRAP for:

(a) government business enterprises (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 tradable 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.

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

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Background and purpose of this exposure draft

The Standard of GRAP on *Employee Benefits* (GRAP 25) was approved by the Board as a final Standard of GRAP at its meeting held in November 2009.

The Board has, in terms of section 89(1)(c) of the PFMA) recommended an implementation date for GRAP 25 to the Minister of Finance. As a result, the Board needs to develop transitional provisions to assist entities with the initial adoption of this Standard. Once approved by the Board, the transitional provisions for GRAP 25 will be included in Directives 2 to 4.

The purpose of this Exposure Draft is to outline and solicit comment on the proposed transitional provisions for the initial adoption of GRAP 25.

Developing transitional provisions for employee benefits

Prior to the adoption of GRAP 25, entities have been required to apply IAS 19 on *Employee Benefits* as part of the GRAP Reporting Framework. This means that entities should have recognised any expenses, liabilities and assets related to employee benefits, using IAS 19 as a basis. Besides the treatment of defined benefit plans, the principles in GRAP 25 and IAS 19 are consistent. The main differences between the recognition and measurement of defined benefit plans in GRAP 25 and IAS 19 relate to the following.

(a) The recognition of actuarial gains and losses: GRAP 25 requires full recognition of actuarial gains and losses in surplus or deficit in the year that they occur. IAS 19 allows the deferral of actuarial gains and losses using the “corridor method”.

(b) The recognition of past service costs: GRAP 25 requires full recognition of past service costs in the year that they arise. IAS 19 requires the recognition of past service costs on a straight-line basis over their vesting period, in surplus or deficit.

(c) The discount rate used to measure the defined benefit liability: GRAP 25 requires that the discount rate be determined by reference to yields on government bonds. The discount rate in IAS 19 is determined by reference to yields on high-quality corporate bonds.

While there are differences between GRAP 25 and IAS 19 regarding the recognition and measurement of defined benefit obligations, entities should have the necessary information available to adopt GRAP 25. Consequently, the Board has proposed that GRAP 25 should be applied retrospectively.

Due process and timetable

The due process followed by the Board in developing the proposed transitional provisions to be included in Directives 2 to 4, is for the Board to receive comment on the proposals set out in this Exposure Draft from preparers, users, auditors, Standard-setters and other parties with an interest in public sector financial reporting. Accordingly, all interested parties are invited to provide comment.

Upon the closure of the comment period, the Board will consider the comment received on the exposure draft and may modify the proposed transitional provisions in the light of comment received before including the final transitional provisions in Directives 2 to 4.

Request for comment

Comment on this exposure draft is invited by **29 January 2011**. The Board requires that respondents express an overall opinion on whether the Exposure Draft is supported in general and to supplement this opinion with detailed comment, whether supportive or critical, on the principles in the Exposure Draft. Respondents are also invited to provide detailed comment identifying the specific paragraphs to which it relates, explaining the issue and suggesting alternative wording, with supporting reasoning, where this is appropriate.

The basis for accepting or rejecting significant comment will be published on the ASB's website.

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AMENDMENTS TO DIRECTIVES 2 TO 4

Proposed transitional provisions to be included in Directives 2 to 4

The transitional provisions for the initial adoption of the Standard of GRAP on *Employee Benefits* are to be included in the following Directives, after the transitional provisions for GRAP 24 but before the transitional provisions for GRAP 26:

- Directive 2 *Transitional Provisions for Public Entities, Municipal Entities and Constitutional Institutions*;
- Directive 3 *Transitional Provisions for High Capacity Municipalities*;
- Directive 4 *Transitional Provisions for Medium and Low Capacity Municipalities*; and
- Directive 8 *Transitional Provisions for Parliament.*

GRAP 25 *Employee Benefits*

Transitional provisions

All employee benefits

.01 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.

.02 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

.03 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).***

.04 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.

.05 The net liability (asset) recognised at the date of adoption in accordance with paragraph .03 includes all cumulative actuarial gains and losses and past service costs.

.06 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.

.07 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.

.08 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.

.09 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.

.10 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.