



# **ACCOUNTING STANDARDS BOARD**

## **DIRECTIVE 5**

### **DETERMINING THE GRAP REPORTING FRAMEWORK**

**Issued by the  
Accounting Standards Board  
March 2009**



## Directive 5

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## **DIRECTIVE 5: DETERMINING THE GRAP REPORTING FRAMEWORK**

*Directive 5 was issued in March 2009. Since then the Directive has been amended as follows:*

- Directive 7 on *The Application of Deemed Cost on the Adoption of Standards of GRAP* which was issued by the Board in December 2009. Directive 7 has been added to the Appendix outlining the GRAP Reporting Framework for periods commencing on or after 1 April 2009.
- An Appendix prescribing the GRAP Reporting Framework for financial periods commencing on or after 1 April 2010 has been added.

### **Introduction**

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

The Board must determine GRAP for:

- (a) departments (national and provincial);
- (b) public entities;
- (c) 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.

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.



## Directive 5

Directives should be read in conjunction with the relevant Standards of GRAP or Interpretations of Standards of GRAP, as well as the *Preface to the Directives*.

## Objective

- .01 The reporting framework comprises the Standards of GRAP, Interpretations of the Standards of GRAP, guidelines and directives issued by the Board and standards and pronouncements of other standard setters that should be applied when entities prepare and present their financial statements in accordance with Standards of GRAP, referred to as the GRAP Reporting Framework elsewhere in this directive.
- .02 The objective of this directive is to set out the principles in determining the GRAP Reporting Framework. The aim is to ensure consistent application of the GRAP Reporting Framework by entities that apply Standards of GRAP.

## Scope

- .03 This directive applies to all entities that apply Standards of GRAP.

## Effective date

- .04 The Minister of Finance determines the effective dates for Standards of GRAP. This directive shall be applied for financial periods commencing on or after 1 April 2008 taking into account the applicable effective dates of the standards.

## GRAP Reporting Framework

- .05 The appendix lists the standards and pronouncements that form the GRAP Reporting Framework. The appendix will be updated on an annual basis to recognise new Standards of GRAP that have become effective and standards and pronouncements issued by other standard setters.

## Hierarchy

- .06 The GRAP Reporting Framework is based on the hierarchy outlined in paragraph .12 of the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors*.
- .07 Paragraph .12 states that, in the absence of a Standard of GRAP dealing with a particular transaction or event, the pronouncements of the following standard setters should be used, in descending order, to develop an appropriate accounting policy. Note, however, that this should only be done to the extent that the requirements are not in conflict with the Standards of GRAP or the *Framework for the Preparation and Presentation of Financial Statements*:
  - (a) International Public Sector Accounting Standards Board (IPSASB).
  - (b) International Accounting Standards Board (IASB), including the *Framework for the Preparation and Presentation of Financial Statements*.
  - (c) Accounting Practices Board (APB).
  - (d) Accounting Practices Committee (APC) of the South African Institute of Chartered Accountants (SAICA).

## Pronouncements by the Board

### Standards of GRAP and Interpretations of the Standards of GRAP

- .08 Standards of GRAP for which the Minister of Finance has determined an effective date form part of the GRAP Reporting Framework.
- .09 Interpretations of Standards of GRAP form part of the GRAP Reporting Framework when the Interpretation of Standards of GRAP is in effect.
- .10 When an effective date has been determined, entities are permitted to adopt the Standards of GRAP and/or any related Interpretations of the Standards of GRAP earlier than the date specified.
- .11 Standards of GRAP that have been issued by the Board, but for which an effective date has not yet been determined by the Minister of Finance, do not form part of the GRAP Reporting Framework (see paragraph .29).
- .12 Where a Standard of GRAP that forms part of the GRAP Reporting Framework is based on a standard or pronouncement of another standard setter and that standard setter subsequently amends its standards or pronouncements, such amendments shall not form part of the GRAP Reporting Framework.

### Directives

- .13 Directives form part of the GRAP Reporting Framework.

### Guidelines

- .14 Guidelines form part of the GRAP Reporting Framework.

## Application of other pronouncements

### IPSASB

- .15 When there is no equivalent Standard of GRAP, an International Public Sector Accounting Standard (IPSAS) that is effective forms part of the GRAP Reporting Framework, unless:
  - (a) that IPSAS is in conflict with the current ASB *Framework for the Preparation and Presentation of Financial Statements* or existing Standards of GRAP, or
  - (b) it is not applicable to entities that currently apply the Standards of GRAP.
- .16 An IPSAS, or parts thereof, is in conflict with the ASB *Framework for the Preparation and Presentation of Financial Statements* or Standards of GRAP when it deals with an issue differently to the ASB *Framework for the Preparation and Presentation of Financial Statements* or a Standard of GRAP or when the IPSAS is applicable to a basis of accounting other than the accrual accounting basis.
- .17 An IPSAS issued by the IPSASB that is not yet in effect does not form part of the GRAP Reporting Framework.
- .18 Where a Standard of GRAP that has been issued by the Board, but for which an effective date has not yet been determined by the Minister of Finance, is based on an IPSAS, that IPSAS does not form part of the GRAP Reporting Framework.

- .19 Where an IPSAS that forms part of the GRAP Reporting Framework is based on a standard or pronouncement of another standard setter and that standard setter subsequently amends its standards or pronouncements, such amendments shall not form part of the GRAP Reporting Framework.

## IASB

- .20 When there is no equivalent Standard of GRAP or IPSAS, an International Financial Reporting Standard (IFRS) that is effective forms part of the GRAP Reporting Framework, unless:
- (a) that IFRS is in conflict with the current *ASB Framework for the Preparation and Presentation of Financial Statements* or existing Standards of GRAP or IPSASs,
  - (b) it is not applicable to entities that currently apply the Standards of GRAP.
- .21 An IFRS, or parts thereof, is in conflict with the *ASB Framework for the Preparation and Presentation of Financial Statements* or Standards of GRAP (whether effective or not) or IPSASs when it deals with an issue differently. Examples of such differences are the measurement of non-exchange transactions or the concept of comprehensive income.
- .22 Where an IFRS, or parts thereof, is in conflict, the entity applies the principles established in the *ASB Framework for the Preparation and Presentation of Financial Statements* or Standards of GRAP or IPSASs.
- .23 An IFRS is not applicable to an entity where its scope limits the application to specific circumstances.
- .24 An entity assesses whether an industry specific standard or other standard or pronouncement is applicable based on the transactions and events of the entity.
- .25 An IFRS issued by the IASB that is not yet in effect does not form part of the GRAP Reporting Framework.
- .26 Where a Standard of GRAP that has been issued by the Board, but for which an effective date has not yet been determined by the Minister of Finance, is based on an IFRS, that IFRS does not form part of the GRAP Reporting Framework.

## APB

- .27 The standards and pronouncements of the IASB are issued without amendment as Statements of Generally Accepted Accounting Practice in South Africa (SA GAAP) and, as such, the principles in paragraph .20 to .26 apply equally to SA GAAP.

## APC

- .28 Guides and Circulars issued by the APC are not part of the GRAP Reporting Framework.

## Status of Standards of GRAP not yet in effect

- .29 Where a Standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that Standard in developing an appropriate accounting policy dealing with a particular transaction or event before applying paragraph .12 of the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors*. An entity first adopts the Standard of GRAP before it applies the related Interpretation of the Standards of GRAP.

## APPENDIX: 1 April 2008

*This appendix forms part of the Directive.*

*This appendix lists the standards and pronouncements that are the GRAP Reporting Framework effective for financial periods commencing on or after 1 April 2008 and should be applied as set out in paragraphs .04 and .05 of the Directive.*

- A1. Entities are required to apply the Standards of GRAP where the Minister has determined the effective date. The Minister has determined the effective date for the following Standards of GRAP:

Reference	Topic
GRAP 1	Presentation of Financial Statements <sup>1</sup>
GRAP 2	Cash Flow Statements <sup>1</sup>
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors <sup>1</sup>
GRAP 4	The Effects of Changes in Foreign Exchange Rates <sup>2</sup>
GRAP 5	Borrowing Costs <sup>2</sup>
GRAP 6	Consolidated and Separate Financial Statements <sup>2</sup>
GRAP 7	Investments in Associates <sup>2</sup>
GRAP 8	Interests in Joint Ventures <sup>2</sup>
GRAP 9	Revenue from Exchange Transactions <sup>2</sup>
GRAP 10	Financial Reporting in Hyperinflationary Economies <sup>2</sup>
GRAP 11	Construction Contracts <sup>2</sup>
GRAP 12	Inventories <sup>2</sup>
GRAP 13	Leases <sup>2</sup>
GRAP 14	Events After the Reporting Date <sup>2</sup>
GRAP 16	Investment Property <sup>2</sup>
GRAP 17	Property, Plant and Equipment <sup>2</sup>
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets <sup>2</sup>
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations <sup>2</sup>
GRAP 101	Agriculture <sup>2</sup>
GRAP 102	Intangible Assets <sup>2</sup>

<sup>1</sup> Government Gazette 28095, December 2005

<sup>2</sup> Government Gazette 31021, May 2008

A2. Directives issued and effective:

<b>Reference</b>	<b>Topic</b>
Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
Directive 3	Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities
Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework

A3. Approved guidelines of Standards of GRAP:

<b>Reference</b>	<b>Topic</b>
Guide 1	Guideline on Accounting for Public Private Partnerships

A4. Effective accrual based IPSASs considering the provisions in paragraphs .15 to .19 of the Directive:

<b>Reference</b>	<b>Topic</b>
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non Cash-Generating Assets

A5. Effective IFRSs and IFRICs that are applied considering the provisions in paragraphs .20 to .26 of the Directive:

<b>Reference</b>	<b>Topic</b>
IFRS 3 (AC 140)	Business Combinations
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144)	Financial Instruments: Disclosures
IAS 12 (AC 102)	Income Taxes
IAS 19 (AC 116)	Employee Benefits
IAS 32 (AC 125)	Financial Instruments: Presentation
IAS 36 (AC 128)	Impairment of Assets
IAS 39 (AC 133)	Financial Instruments: Recognition and Measurement
SIC – 21 (AC 421)	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC – 25 (AC 425)	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC – 29 (AC 429)	Service Concession Arrangements – Disclosures
IFRIC 2 (AC 435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC 437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC 442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC 445)	Service Concession Arrangements
IFRIC 13 (AC 446)	Customer Loyalty Programmes
IFRIC 14 (AC 447)	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

**APPENDIX: 1 April 2009**

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*This appendix lists the standards and pronouncements that are the GRAP Reporting Framework effective for financial periods commencing on or after 1 April 2009 and should be applied as set out in paragraphs .04 and .05 of the Directive.*

- A1. Entities are required to apply the Standards of GRAP where the Minister has determined the effective date. The Minister has determined the effective date for the following Standards of GRAP:

Reference	Topic
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

A2. Directives issued and effective:

Reference	Topic
Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
Directive 3	Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities
Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP

A3. Interpretations of the Standards of GRAP approved:

Reference	Topic
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue

A4. Approved guidelines of Standards of GRAP:

Reference	Topic
Guide 1	Guideline on Accounting for Public Private Partnerships

A5. Effective accrual based IPSASs that are applied considering the provisions in paragraphs .15 to .19 of the Directive:

Reference	Topic
IPSAS 20	Related Party Disclosures

- A6. Effective IFRSs and IFRICs that are applied considering the provisions in paragraphs .20 to .26 of the Directive:

<b>Reference</b>	<b>Topic</b>
IFRS 3 (AC 140)	Business Combinations
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144)	Financial Instruments: Disclosures
IAS 12 (AC 102)	Income Taxes
IAS 19 (AC 116)	Employee Benefits
IAS 32 (AC 125)	Financial Instruments: Presentation
IAS 39 (AC 133)	Financial Instruments: Recognition and Measurement
SIC – 21 (AC 421)	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC – 25 (AC 425)	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC – 29 (AC 429)	Service Concession Arrangements – Disclosures
IFRIC 2 (AC 435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC 437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC 442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC 445)	Service Concession Arrangements
IFRIC 13 (AC 446)	Customer Loyalty Programmes
IFRIC 14 (AC 447)	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC 448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC 449)	Hedges in a Net Investment in a Foreign Operation

**APPENDIX: 1 April 2010**

*This Appendix forms part of the Directive.*

*This Appendix lists the standards and pronouncements that are the GRAP Reporting Framework effective for financial periods commencing on or after 1 April 2010 and should be applied as set out in paragraphs .04 and .05 of Directive 5.*

- A1. Entities are required to apply the Standards of GRAP where the Minister has determined the effective date. The Minister has determined the effective date for the following Standards of GRAP:

<b>Reference</b>	<b>Topic</b>
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

A2. Directives issued and effective that entities are required to apply:

Reference	Topic
Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
Directive 3	Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities
Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework
Directive 6	Transitional Provisions for Revenue Collected by the South African Revenue Service (SARS)
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP

A3. Interpretations of the Standards of GRAP approved that entities are required to apply:

Reference	Topic
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue

A4. Approved guideline of Standards of GRAP that entities are required to apply:

Reference	Topic
Guide 1	Guideline on Accounting for Public Private Partnerships

A5. Effective accrual based IPSAS<sup>3</sup> that entities are required to apply considering the provisions in paragraphs .15 to .19 of Directive 5:

Reference	Topic
IPSAS 20	Related Party Disclosures

<sup>3</sup> IPSASs can be downloaded from <http://www.ifac.org>

- A6. Effective IFRSs and IFRICs<sup>4</sup> that entities are required to apply considering the provisions in paragraphs .20 to .26 of Directive 5:

Reference	Topic
IFRS 3 (AC 140)	Business Combinations*
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC 102)	Income Taxes
SIC – 21 (AC 421)	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC – 25 (AC 425)	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC – 29 (AC 429)	Service Concession Arrangements – Disclosures
IFRIC 4 (AC 437)	Determining whether an Arrangement contains a Lease
IFRIC 12 (AC 445)	Service Concession Arrangements
IFRIC 13 (AC 446)	Customer Loyalty Programmes
IFRIC 15 (AC 448)	Agreements for the Construction of Real Estate
IFRIC 17 (AC 450)	Distributions of Non-cash Assets to Owners
IFRIC 18 AC (451)	Transfer of Assets from Customers

- A7. Standards of GRAP approved but for which the Minister of Finance has not yet determined an effective date and that entities may apply in formulating an accounting policy in accordance with paragraph .29 of Directive 5:

*Standards of GRAP that may be used in developing an accounting policy:*

Reference	Topic
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

<sup>4</sup> IFRSs and IFRICs can be downloaded from <http://www.iasb.org.uk>

\* Effective for financial periods commencing on or after 1 July 2009



**Directive 5**

*Standards of GRAP that may be used to interpret the requirements of other Standards of GRAP:*

<b>Reference</b>	<b>Topic</b>
GRAP 24	Presentation of Budget Information in Financial Statements

A8. Approved Standards of GRAP that entities are not required to apply:

<b>Reference</b>	<b>Topic</b>
GRAP 18	Segment Reporting