



**ED 67**

**Response due by 31 January 2010**

## **ACCOUNTING STANDARDS BOARD**

# **INVITATION TO COMMENT ON THE PROPOSED APPENDIX TO DIRECTIVE 5: GRAP REPORTING FRAMEWORK FOR 2010/2011**

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## Commenting on this exposure draft

The Accounting Standards Board (the Board) seeks comment on the exposure draft of the proposed Appendix to Directive 5: *GRAP Reporting Framework for 2010/2011* to enable the Board to update Directive 5 with the GRAP Reporting Framework to be applied by entities from 1 April 2010.

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 **31 January 2010**. E-mail responses are preferred. Unless respondents to this exposure draft specifically request confidentiality, their comment is a matter of public record once Directive 5 GRAP has been updated. Comment should be addressed to:

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Accounting Standards Board  
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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**

Directive 5 *Determining the GRAP 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 the Standards of GRAP. The appendices to Directive 5 list the standards and pronouncements that form the GRAP Reporting Framework for a particular reporting period. The appendices are updated on an annual basis to recognise new Standards of GRAP that have become effective and standards and pronouncements that were issued by other standard setters.

This exposure draft proposes the GRAP Reporting Framework to be applied by entities for the 2010/2011 financial period. Once the Appendix is approved by the Board, it will be included in Directive 5 to be applied by entities from 1 April 2010.

## **Due process and timetable**

The due process followed by the Board in developing the GRAP Reporting Framework for the 2010/2011 financial period, 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 Appendix containing the GRAP Reporting Framework to be applied by entities from 1 April 2010 in the light of the comment received before including the 2010/2011 GRAP Reporting Framework as an Appendix to Directive 5.

## **Request for comment**

Comment on this exposure draft is invited by **31 January 2010**. The Board requests 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. 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 website.

## APPENDIX: 1 April 2010

*This Appendix forms part of Directive 5 Determining the GRAP Reporting Framework.*

*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 paragraph .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:

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 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 Initial Adoption of the 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 is required to apply:

Reference	Topic
Guide 1	Guideline on Accounting for Public Private Partnerships

A5. Effective accrual based IPSAS that entities is required to apply considering the provisions in paragraphs .15 to .19 of Directive 5:

Reference	Topic
IPSAS 20	Related Party Disclosures

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

<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
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 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 of a Net Investment in a Foreign Operation
IFRIC 17 (AC 450)	Distributions of Non-cash Assets to Owners
IFRIC 18 AC (451)	Transfer of Assets from Customers

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



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- A7. Standards of GRAP approved but for which the Minister of Finance has not yet determined an effective date:

<b>Reference</b>	<b>Topic</b>
GRAP 18	Segment Reporting
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments