



**ANALYSIS AND RESPONSES TO VERBAL COMMENT
RECEIVED ON THE**

**PROPOSED CONCEPTUAL FRAMEWORK FOR
GENERAL PURPOSE FINANCIAL REPORTING**

(ED 149)



RESPONSES TO THE VERBAL COMMENT RECEIVED ON THE PROPOSED CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING (ED 149)

The Accounting Standards Board (Board) approved the Exposure Draft of the proposed *Conceptual Framework for General Purpose Financial Reporting* (ED 149) in June 2016 for comment. A Notice was also published in the Government Gazette on the 5th of August 2016 (Notice 40188). The comment period closed on 17 February 2017.

ED 149 was discussed with preparers, auditors and consultants by way of workshops, roundtable discussions or other meetings as listed in the table on the next page. In addition, a presentation was also made during a SAICA webcast.

The comments received from stakeholders at these engagements are summarised in this document and include the Board's responses to the comment received.



CLASSIFICATION OF VERBAL COMMENT RECEIVED ON THE PROPOSED CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING (ED 149)

No.	Name/Organisation	Total	Preparers	Users	Auditors	Other interested parties
1.	Roundtable discussion		√			
2.	Public Sector Accounting Forum		√			
3.	SAICA webcast					√
4.	Western Cape Technical Forum		√			
5.	Department of Performance Monitoring and Evaluation					√
6.	Audit Research and Development – auditors responsible for audit of performance information				√	
	TOTAL	6	2	1	1	2



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No.	Comment	Board's response
A	SPECIFIC MATTERS FOR COMMENT	
SMC 1	<p>Scope of the proposed Conceptual Framework</p> <p><i>One of the overarching differences identified between the existing Framework and the proposed Conceptual Framework lies in the scope of financial reporting. The proposed Conceptual Framework deals with a broader scope of financial reporting i.e. GPFRs while the existing Framework addresses matters reported in the general purpose financial statements (GPFs). The Board considered if there is a need for this broader scope, and concluded that while entities have been reporting information outside the financial statements, there is no set of principles established to guide the preparation and presentation of this information in the annual reports. A broader scope will set a framework that guides the preparation and presentation of information to achieve the objectives of financial reporting.</i></p> <p><i>While this broader scope can be seen as a contribution by the Board to the “advancement of financial reporting” as indicated in the mandate of the ASB in the PFMA, it should be noted that this does not imply that the Board will be issuing guidance on the financial reports as the specific reporting requirements in these other areas are within the mandate of other institutions.</i></p> <p><i>Do you agree with the Board's proposal to broaden the scope of the proposed Conceptual Framework to include GPFRs instead of GPFs? If not, please explain your response.</i></p> <p><i>The diagram below illustrates the interaction between GPFRs and GPFs.</i></p>	
1.1	Roundtable discussion	
	Participants generally agreed with the Board's proposal.	Noted. No further action required.
1.2	Public Sector Accounting Forum	
	Participants generally agreed with the Board's proposal.	Noted. No further action required.



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No.	Comment	Board's response
1.3	SAICA webcast	
	No matters for comment.	Noted. No further action required.
1.4	Western Cape Technical Forum	
	No matters for comment.	Noted. No further action required.
1.5	Department of Performance Monitoring and Evaluation	
	No matters for comment.	Noted. No further action required.
1.6	Audit Research and Development	
	No matters for comment.	Noted. No further action required.
SMC 2	<p>Materiality as a pervasive constraint</p> <p><i>In the Board's existing Framework, materiality is classified as an aspect of relevance, while the IPSASB classifies it as a constraint on information included in GPFs. Prior to the development of its Conceptual Framework, the IPSASB described materiality with similar characteristics described in its Conceptual Framework but identified materiality as an aspect of relevance in Appendix A of IPSAS 1 on Preparation and Presentation of Financial Statements.</i></p> <p><u>Description of materiality in the IPSASB's Conceptual Framework</u></p> <p>Information is material if its omission or misstatement could influence the discharge of accountability by the entity, or the decisions that users make on the basis of the entity's GPFs prepared for that reporting period. Materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity. GPFs may encompass qualitative and quantitative information about service delivery achievements during</p>	



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	<p>the reporting period, and expectations about service delivery and financial outcomes in the future. Consequently, it is not possible to specify a uniform quantitative threshold at which a particular type of information becomes material.</p> <p><i>The Board considered whether it should adopt the same approach as the IPSASB, by looking into approaches followed by other standard-setters, as well as the impact on standard-setting if it were to adopt the IPSASB's approach. The Board noted that other standard-setting bodies classify materiality as an aspect of relevance, with the exception of those bodies that have adopted the IPSASB's Conceptual Framework in its entirety.</i></p> <p><i>The IPSASB holds the view that materiality relates to, and can impact, a number of the qualitative characteristics of information included in GPFRs, and not only the relevance of financial and non-financial information presented in GPFRs. The Board considered the description of materiality in the IPSASB's Conceptual Framework, and applied the IPSASB's thinking, practically, to establish if there is indeed a relationship between materiality and the other QCs. Information is considered material if its omission or misstatement could influence the discharge of accountability by the entity, or the decisions that users make on the basis of GPFRs. As such, users need information that is relevant to holding entities accountable and making decisions.</i></p> <p><i>As a result, the Board is of the view that although materiality is pervasive, it is not an overall constraint on reporting of information. Based on an analysis of the description of materiality, the Board observed that it could relate materiality to relevance and faithful representation, but it was conceptually and practically impossible to indicate that materiality has a role in relation to the other QCs. The Board noted that preparers are not likely to be able to demonstrate how materiality is a constraint on the entity's ability to report information, and agreed that it would treat materiality as an aspect of relevance in the Conceptual Framework as it had done in its existing Framework.</i></p> <p><i>Do you agree with the Board's proposal not to classify materiality as a pervasive constraint? If not, please explain your response.</i></p>	
2.1	Roundtable discussion	
	Participants agreed with the Board's proposal.	Noted. No further action required.
2.2	Public Sector Accounting Forum	
	Participants agreed with the Board's proposal.	Noted. No further action required.



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No.	Comment	Board's response
2.3	SAICA webcast	
	No matters for comment.	Noted. No further action required.
2.4	Western Cape Technical Forum	
	No matters for comment.	Noted. No further action required.
2.5	Department of Performance Monitoring and Evaluation	
	No matters for comment.	Noted. No further action required.
2.6	Audit Research and Development	
	No matters for comment.	Noted. No further action required.
SMC 3	<p>Other resources and other obligations</p> <p><i>During the development of the Conceptual Framework the IPSASB considered how best to represent the financial performance of an entity in certain circumstances, in particular:</i></p> <p><i>(a) the receipt of grants at the end of a financial year which are to be used to finance the activities of the entity in the following year; and</i></p> <p><i>(b) the receipt or payment of multi-year unconditional grants (where the amounts received in advance or paid in advance do not meet the definitions of assets and liabilities).</i></p> <p><i>The IPSASB considered whether deferred inflows and deferred outflows should be recognised as separate elements in those circumstances. Based on the mixed views from respondents, the IPSASB concluded they should not be recognised. However, the IPSASB accepted the view that certain economic phenomena (i.e. "other resources" and "other obligations") which do not meet the definition of the six elements mentioned above may</i></p>	



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	<p><i>need to be recognised in the financial statements in order to meet the objectives of financial reporting. With this approach, the IPSASB acknowledges that there may be circumstances where the six defined elements do not provide all of the information in the financial statements to meet the needs of users. As such, the IPSASB agreed that circumstances under which other resources and other obligations may be recognised will be determined at a standards' level, and not in the Conceptual Framework.</i></p> <p><i>The Board considered if it should refer to the existence of other resources and other obligations when it adopts the IPSASB's Conceptual Framework. The Board is concerned, however, that if it does make an explicit statement in the Conceptual Framework acknowledging the existence of other resources and other obligations it runs the risk of users of the Conceptual Framework misapplying the concepts and recognising them in the absence of guidance from the IPSASB and/or Board. The Board agreed not to include this discussion on the basis that they will be addressed, indirectly, when the Board considers how the IPSASB uses them at a standards' level.</i></p> <p><i>Do you agree with the Board's proposal not to include the discussion on other resources and other obligations in the Conceptual Framework? If not, please explain your response.</i></p>	
3.1	Roundtable discussion	
	Participants agreed with the Board's proposal.	Noted. No further action required.
3.2	Public Sector Accounting Forum	
	Participants agreed with the Board's proposal.	Noted. No further action required.
3.3	SAICA webcast	
	No matters for comment.	Noted. No further action required.



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No.	Comment	Board's response
3.4	Western Cape Technical Forum	
	No matters for comment.	Noted. No further action required.
3.5	Department of Performance Monitoring and Evaluation	
	No matters for comment.	Noted. No further action required.
3.6	Audit Research and Development	
	No matters for comment.	Noted. No further action required.
SMC 4	Unit of account	
	<p><i>The Board also considered whether guidance on the unit of account should be added to the Conceptual Framework. The unit of account refers to the group of assets and/or liabilities to which the recognition and measurement requirements will be applied. The IPSASB's Conceptual Framework does not include such guidance, but the IASB does provide detailed guidance on the concept. The Board agreed to add this guidance to its Conceptual Framework.</i></p> <p><i>Do you agree with the Board's proposal to add guidance on the unit of account in the Conceptual Framework? If not, please explain your response.</i></p>	
4.1	Roundtable discussion	
	Participants agreed with the Board's proposal.	Noted. No further action required.
4.2	Public Sector Accounting Forum	



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No.	Comment	Board's response
	Participants agreed with the Board's proposal.	Noted. No further action required.
4.3	SAICA webcast	
	No matters for comment.	Noted. No further action required.
4.4	Western Cape Technical Forum	
	No matters for comment.	Noted. No further action required.
4.5	Department of Performance Monitoring and Evaluation	
	No matters for comment.	Noted. No further action required.
4.6	Audit Research and Development	
	No matters for comment.	Noted. No further action required.
B	GENERAL COMMENTS	
5.1	Roundtable discussion	
5.1.1	<u>General</u> Participants welcomed the new Conceptual Framework but raised the concern that the Board has not communicated clearly enough what the impact of the new concepts on the preparers	Noted. In the Invitation to Comment the Board explained that the proposed changes to the Standards-level requirements of Standards of , as



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	<p>and users of financial statements. They noted it that it is paramount for the Board to address the following:</p> <ul style="list-style-type: none"> - what will be different now for the preparers and how do they prepare preparers for these changes. For example, changes in the measurements requirements on the existing Standards – will there be transitional provisions? - what should preparers do in the interim? 	<p>a consequence of the proposed Conceptual Framework, would still need to be identified. The Board agreed that, over time, it would undertake significant reviews of the Standards for consistency with the proposed Conceptual Framework. The IPSASB has already considered consequential amendments resulting from Chapters 1 to 4 as part of its 2014 improvements project. The next step is the measurement project that will consider the recognition and measurement requirements. The Board agreed to follow the IPSASB's lead in this regard.</p> <p>The Conceptual Framework is used by the Board to set Standards of GRAP. The Board will apply the new thinking when developing new Standards. Internationally, the IPSASB has already started applying this new thinking to its current projects on social benefits and heritage.</p> <p>Preparers use the Conceptual Framework only in the absence of guidance dealing with specific transactions to formulate their accounting policies. The Conceptual Framework is not authoritative. The existing requirements in the Standards are authoritative and</p>



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		<p>take precedence.</p> <p>Up and until the review of Standards has been undertaken and the Standards have been revised, the status quo remains and the only transitional provisions developed will be as a result of the update of Standards for consistency with the Conceptual Framework.</p> <p>The Board agreed that communication material, by way of a Feedback Statement, will be issued to address the uncertainties on when and how to apply the Conceptual Framework. The need for guidance that explains the effect of the new concepts has been raised throughout the consultation process; as such the material will also include guidance to assist in clarifying the meaning of the new concepts.</p>
5.1.2	<p>Some participants made the observation that, to date, the existing Framework has had very limited application to preparers since the Board has developed Standards for most transactions. As such, preparers may not be clear about when to apply the Conceptual Framework as many would not have had a need to even apply the existing Framework.</p>	<p>Noted. Chapter 1 discusses the role and authority of the Conceptual Framework. Its role, to preparers of financial statements, is to assist them in applying Standards of GRAP, and in the formulation of accounting policies for transactions that may not yet form the subject of Standards of GRAP. [See paragraph 1.2(c) of the Conceptual Framework]</p> <p>Chapter 2 explains that the Conceptual Framework is not authoritative, and does not</p>



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		<p>override the requirements in the Standards of GRAP. Therefore, the requirements in the Standards of GRAP are authoritative and still take precedence. [See paragraphs 1.7 to 1.9]</p> <p>The Board agreed to address this matter in the Feedback Statement mentioned in comment 5.1.1 above.</p>
5.1.3	<p><u>Scope</u></p> <p>Some participants noted that the broader scope could be confused for integrated reporting by preparers.</p>	<p>Noted. Information in GPFRs and integrated reporting serve different purposes. Integrated reporting includes areas that are not financial in nature, for example, reporting on human resources, governance, compliance with laws and regulations and environmental sustainability. While it could be argued that this other information is important for accountability and decision-making, it extends beyond the scope of GPFRs which is designed to complement and supplement the financial statements. As such, these non-financial areas are excluded from the scope of GPFRs.</p> <p>The Board agreed to address this matter in the Feedback Statement mentioned in comment 5.1.1 above.</p>
5.1.4	<p><u>Chapter 1</u></p> <p>Participants questioned how the characteristics in the Conceptual Framework differ from the</p>	<p>Noted. The characteristics are complementary to Directive 12. The characteristics provide key features of a public sector entity that applies</p>



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	<p>criteria included in Directive 12.</p>	<p>Standards of GRAP, while the criteria in Directive 12 provide a basis for applying IFRSs.</p> <p>The ASB's mandate clearly states for which entities the Board should determine the reporting framework. The Conceptual Framework applies to public sector entities that apply Standards of GRAP, and describes the characteristics of a typical public sector entity. The Board considered these characteristics to be useful and will help in deciding which public sector entities should apply Standards of GRAP where legislation is not clear.</p> <p>The Board is of the view that the paragraph 1.10 of the Conceptual Framework could be made clearer to emphasise that meeting the public sector entity characteristics does not necessarily mean that the entity should apply Standards of GRAP.</p> <p>In addition to the above amendment, the Board agreed to address this matter in the Feedback Statement mentioned in comment 5.1.1 above.</p>
5.1.5	<p><u>Chapter 5</u></p> <p>Participants questioned whether there is a link between the indicators of control in the Conceptual Framework and the IGRAP on <i>Recognition and Derecognition of Land</i>.</p>	<p>Noted. The indicators in the IGRAP are based on those found in the Conceptual Framework.</p>



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No.	Comment	Board's response
5.1.6	It was noted that the Exposure Draft should be reviewed for the inconsistent use of lists within paragraphs and in other instances the lists are bulleted. For example, the last sentence in paragraph 5.12 reads better as a bulleted list.	Noted. Several formatting amendments were made where appropriate.
5.1.7	Participants questioned whether the reference to "resources" in the section on liabilities has the same meaning as that used under the section on assets.	Noted. The reference to "resources" in the liabilities section has the same meaning as used in the assets section. The Board has included a reference in paragraph 5.13 of the Conceptual Framework to explain this.
5.1.8	Participants questioned the reference to "non-legally binding obligations" as opposed to constructive obligations. It was suggested that the reference to "non-legally binding obligations" should be reconsidered as it very long and used repeatedly in this section, and replaced with a phrase saying that "other obligations are non-legally binding obligations".	Noted. The Board considered replacing the reference to "non-legally binding obligations" with "other obligations" but concluded that this could potentially be confused with "other obligations" in relation to other economic phenomena i.e. "other resources and other obligations" used by the IPSASB in its literature. There is an unintended consequence of the Board using different terminology once new IPSASs are developed. Therefore, no amendments have been made.
5.1.9	Participants questioned whether paragraph 5.19 should be "...enforceable by law" instead of "...enforceable in law".	Noted. The Board is concerned that by changing the wording in that sentence may alter its meaning. Therefore, no amendments have been made.



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No.	Comment	Board's response
5.1.10	Participants suggested that the second bullet of paragraph 5.24 should be reworded as it has been drafted in the negative. It was suggested that "...which cannot be" should be replaced with "...if it can be".	Noted. The section has been amended accordingly.
5.1.11	The inclusion of "economic coercion" and "political necessity" was debated, particularly since the IPSASB concluded that it would not consider political necessity in its recent discussions on the deferral of revenue in relation to grants. It was agreed that paragraph 5.25 should be reworded not to make specific reference to the two concepts in the first sentence.	Noted. Similar to 5.1.8 above, the Board does not believe the two concepts should be removed, as there is an unintended consequence of the Board using different terminology once new IPSASs are developed. Therefore, no amendments have been made.
5.1.12	It was noted that the Board should consider making a distinction between "revenue" and "income" so that it is clear in the financial statements that certain increases in net financial position arose from activities that are not pursuant to an entity's mandate or service delivery objectives.	Noted. The existing Framework does not make a distinction between revenue and income. The definition of revenue encompasses both revenue and gains. The Conceptual Framework also does not distinguish ordinary activities from activities outside the ordinary course of operations, as conceptually the Board believes that gains and losses are no different to other forms of revenue and expense.
5.1.13	It was noted that the definition of ownership contributions should be reworded to make provision for transactions with owners where the entity is already wholly owned.	Noted. The section has been amended to reflect that, in some cases, contributions may be made to maintain an entity's interest in an entity that is wholly owned.
5.1.14	<u>Chapter 7</u>	Noted. The Board notes that the last sentence



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No.	Comment	Board's response
	Participants questioned the inclusion of the last sentence in paragraph 7.55.	refers to commentary included by the IPSASB in its section dealing with the deprival value method. This section was later removed by the IPSASB following feedback from its stakeholders. The Board supports the IPSASB's view to retain parts of the section as the model provided insight on the relationship between replacement cost, net selling price and value in use. Therefore, no amendments have been made.
5.1.15	Participants suggested that the Exposure Draft should be reviewed for inconsistent formatting for example the formatting in paragraph 7.80 is not consistent with paragraphs 7.82 and 7.83.	Noted. The section has been amended accordingly.
5.1.16	<u>Chapter 8</u> Participants questioned the use of terms "display and disclosure", and whether the Board should rather refer to primary and secondary disclosures. Some participants noted that the old terminology of presentation and disclosure were clear concepts that seem to work well for GPFs, while display and disclosure work well for other types of reports that supplement and complement the financial statements. Overall, participants agreed that the new terms should be retained.	Noted. The Board is of the view that primary and secondary disclosures would create the impression that there is a hierarchy of importance of information for display and disclosure.
5.2	Public Sector Accounting Forum	
5.2.1	<u>General</u> Participants noted that there are a number of principles to comprehend in the new Conceptual Framework. In addition, it was noted that more judgement will be required in applying the new	Noted. The Board notes the concern raised and that the new concepts are not easily understood. Chapter 1 discusses the role and authority of the



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No.	Comment	Board's response
	<p>principles and questioned the usefulness of the Conceptual Framework given the increased level of judgement.</p>	<p>Conceptual Framework. Its role, to preparers of financial statements, is to assist them in applying Standards of GRAP, and in the formulation of accounting policies for transactions that may not yet form the subject of Standards of GRAP. [See paragraph 1.2(c) of the Conceptual Framework]</p> <p>In addition, Chapter 2 explains that the Conceptual Framework is not authoritative, and does not override the requirements in the Standards of GRAP. Therefore, the requirements in the Standards of GRAP are authoritative and still take precedence. [See paragraphs 1.7 to 1.9 of the Conceptual Framework]</p> <p>The Board agreed to address this matter in the Feedback Statement mentioned in comment 5.1.1 above.</p>
5.2.2	<p><u>Scope</u></p> <p>Participants noted that in the private sector growth and performance is measured by reference current and prior year figures, while in the public sector such a comparison is meaningless. It was noted that performance reporting and comparison against approved budgets are the driving force for assessing accountability. A concern was raised that the Conceptual Framework should not overburden the financial statements with the additional information particularly where there is already a legislative requirement requiring entities to provide the information in the annual reports.</p>	<p>Noted. The financial statements are critical in exercising accountability and decision-making. The financial statements do not provide about whether an entity has achieved its strategic objectives. The financial statements only provide information about historical transactions with limited information about future prospects. However, the information the financial statements and information reported outside the financial</p>



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No.	Comment	Board's response
		<p>statements, together allows a holistic review of the entity.</p> <p>Currently there is no link between the financial statements and information reported outside the financial statements. As such, the intention of the Conceptual Framework is to provide a holistic and meaningful framework upon which this information can be used to ensure accountability and decision-making.</p>
5.2.3	It was noted that the preparation of information that complements and supplements the information in the financial statements communicates an entity's stewardship responsibility rather than their treasury responsibilities.	Noted. No further action required.
5.2.4	It was noted that the Conceptual Framework will provide a good basis for entities to achieve the next level of reporting i.e. integrated reporting.	Noted. Refer to response provided in 5.1.3 above.
5.2.5	Some participants questioned whether reporting on compliance with laws and regulations should be considered as part of information included in GPFRs in the diagram that illustrates the delineation of GPFRs and GPFs. It was noted that this would make sense insofar as the compliance relates to financial matters, especially since this is one of the three core elements that forms part of public sector audits in terms of the Public Audit Act, 2004 (Act No. 25 of 2004).	Noted. The Board notes that the comment was made in relation to the diagram included in the Exposure Draft that illustrates the boundary between of GPFRs and integrated reporting. The Board agrees with the observation that compliance with laws and regulations in relation to financial matters should also be reflected as part of



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		<p>information in the GPFRs.</p> <p>The Board agreed to amend the diagram, even though it will not be published with the Conceptual Framework.</p>
5.2.6	<p><u>Chapter 1</u></p> <p>Some participants indicated that it would be ideal if the Conceptual Framework did not only provide concepts on how information in GPFRs can be prepared, but provide clear principles about what needs to be reported in the GPFRs to avoid confusion.</p>	<p>Noted. Paragraphs 1.7 to 1.9 explain that the broader scope of financial reporting does not imply that the Board will issue reporting requirements relating to information reported outside the financial statements, as these requirements are set by other institutions.</p> <p>The Board agreed to address this matter in the Feedback Statement mentioned in comment 5.1.1 above.</p>
5.2.7	<p>Some participants questioned the inclusion of the characteristics of a public sector entity in relation to Directive 12.</p>	<p>Noted. Refer to response provided in 5.1.4 above.</p>
5.2.8	<p>It was questioned whether public sector entities (such as government business enterprises) with a profit motive should be subject to the same accountability responsibilities as other public sector entities that apply Standards of GRAP.</p>	<p>Noted. The type of information required for accountability may be different as the primary objective of government business enterprises is to generate profits instead of providing services that enhance or maintain the well-being of citizens. The public sector entities envisaged in the Conceptual</p>



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		Framework will be accountable to those that provide them with resources, and to those that depend on them to use those resources to deliver services during the reporting period and over the longer term.
5.2.9	In addition, an observation was made, in relation to the criteria in Directive 12. In assessing the significance of funding from government it may be appropriate to consider the significance of the funding from the fiscus as opposed to the proportion of entity's funding. For example, an entity that receives a large amount of funding from the fiscus should apply Standards of GRAP, irrespective of that entity's overall capital structure.	Noted. The Directive 12 assessment is considered to be done at an entity-level therefore the Board does not believe it is appropriate to include a macro-level criterion into the assessment.
5.2.10	Participated noted that higher education institutions meet the characteristics of a public sector entity, and questioned if that means they could apply Standards of GRAP.	<p>Noted. Higher education institutions meet the characteristics of a public sector entity. These entities do, however, not apply Standards of GRAP as they are outside the ASB's mandate. The TVET colleges apply Standards of GRAP because the Minister of the Department of Higher Education and Training determined Standards of GRAP to be the appropriate reporting framework for them.</p> <p>As noted in the response provided in 5.1.4, the Board agreed that paragraph 1.10 of the Conceptual Framework could be made clearer to emphasise that meeting the characteristics of a</p>



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		<p>public sector entity does not necessarily mean that the entity should apply Standards of GRAP.</p> <p>In addition to the above amendment, the Board agreed to address this matter in the Feedback Statement mentioned in comment 5.1.1 above.</p>
5.2.11	<p><u>Chapter 3</u></p> <p>It was noted that term “economic phenomena” is used throughout the Conceptual Framework, and the Board should consider defining the term as it is not easily understood.</p>	<p>Noted. The Board agreed to explain in paragraph 3.1 of the Conceptual Framework, where it is first used, that the term refers to occurrence with economic consequences.</p>
5.2.12	<p>Some participants noted that to achieve “timeliness” could be seen as a motivator for regular reporting to achieve better financial management and monitoring.</p>	<p>Noted. No further action required.</p>
5.2.13	<p><u>Chapter 5</u></p> <p>Participants questioned the removal of “during the reporting period” in the definition of the revenue.</p>	<p>Noted. Since the notion of “flow” of future economic benefits or service potential has been removed, and the statement of financial performance is presented for a specific period, the Board supported the IPSASB's view not to include a reference to the timing of the increases or decreases in the financial position.</p>
5.2.14	<p>It was noted that the concept of “ownership” should be better defined in the Conceptual Framework because in the public sector “ownership” is not limited to a shareholding in the public sector entity. This would be helpful as entities would have guidance in determining how</p>	<p>Noted. Paragraph 5.34 of the Conceptual Framework explains that ownership interests in the public sector may not be evidenced by equity</p>



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No.	Comment	Board's response
	to treat the surplus to be surrendered.	instruments but may take other forms. The Board agreed that detailed guidance to support the assessment of whether certain inflows or outflows of resources satisfy the definition of ownership contributions or distributions will be developed at a standards' level.
	What will happen to individual Standards as they are not consistent with the new measurement requirements?	<p>Noted. In the Invitation to Comment the Board explained that the proposed changes to the Standards-level requirements of Standards of GRAP, as a consequence of the proposed Conceptual Framework, would still need to be identified. The Board agreed that, over time, it would undertake significant reviews of the Standards for consistency with the proposed Conceptual Framework. The IPSASB has already considered consequential amendments resulting from Chapters 1 to 4 as part of its 2014 improvements project. The next step is the measurement project that will consider the recognition and measurement requirements. The Board agreed to follow the IPSASB's lead in this regard.</p> <p>Up and until the review of Standards has been undertaken and the Standards have been revised,</p>



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No.	Comment	Board's response
		<p>the status quo remains.</p> <p>The Board agreed to address this matter in the Feedback Statement mentioned in comment 5.1.1 above.</p>
5.3	SAICA webcast	
5.3.1	<p>Participants noted that it appears as if there will be more judgement and/or subjectivity in the way in which financial statements are prepared. In particular, concern was raised about the measurement of assets and liabilities and how a particular measurement basis should be selected.</p>	<p>Noted. As noted in previous responses, the role of the Conceptual Framework is to establish concepts to be used by the Board when developing Standards, and to formulate accounting policies in the absence of Standard-level guidance for preparers. As such, the application of the Conceptual Framework by preparers will be limited. Chapter 2 explains that the Conceptual Framework is not authoritative, and does not override the requirements in the Standards of GRAP. Therefore, the requirements in the Standards of GRAP are authoritative and still take precedence. [See paragraphs 1.7 to 1.9]</p> <p>The IPSASB will consider the effect of the recognition and measurement requirements on the standards in its Measurement project. The Board</p>



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No.	Comment	Board's response
	Participants observed that comprehensive guidance would need to be provided on how the new recognition requirements and the selection of an appropriate measurement basis should be applied practically.	<p>agreed to follow the IPSASB's lead in this regard.</p> <p>The Board agreed to address this matter in the Feedback Statement mentioned in comment 5.1.1 above.</p>
5.3.2	Participants noted that the recognition and measurement requirements in the new Conceptual Framework are substantially different from the existing Standards of GRAP. As a result, concerns were raised about whether the comparative amounts will need to be restated once the new Conceptual Framework becomes effective.	<p>Noted. Refer to response provided in 5.3.1 above.</p> <p>The Conceptual Framework is not authoritative. The requirements in the Standards are authoritative and still take precedence. Up and until the review of Standards has been undertaken and the Standards have been revised, the status quo remains and the only transitional provisions developed will be as a result of the update of Standards for consistency with the Conceptual Framework.</p> <p>The Board agreed to address this matter in the Feedback Statement mentioned in comment 5.1.1 above.</p>
5.3.3	<p><u>Control</u></p> <p>Participants questioned whether the Conceptual Framework provided clarity on when an entity should assess control (either for recognition and derecognition purposes).</p>	<p>Noted. Paragraphs 5.11 and 5.12 explain when an entity controls a resource. In assessing control, an entity considers the indicators of control however these are not conclusive determinants of whether</p>



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	<p>Participants also questioned whether it is possible for an entity to control its employees.</p>	<p>control exists. The Board agreed to address this matter in the Feedback Statement mentioned in comment 5.1.1 above.</p> <p>A resource for purposes of the Conceptual Framework is defined as an item with service potential or the ability to generate economic benefits.</p> <p>Resources could include human resources. However, human resources do not otherwise meet the definition of an asset as entities cannot demonstrate control over its human resources. The Standard of GRAP on <i>Intangible Assets</i> (GRAP 31) explains that, even though an entity may have a team of skilled staff and may be able to identify incremental staff skills leading to future economic benefits or service potential from training, an entity usually has insufficient control over the expected future economic benefits or service potential arising from a team of skilled staff and from training for these items to meet the definition of an intangible asset. However, specific management or technical talent that is protected by legal rights to use it and to obtain the future economic benefits or service potential expected from it, could meet the definition of an intangible asset if it meets the other parts of the definition.</p>



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No.	Comment	Board's response
5.3.4	<p><u>Ownership contributions and ownership distributions</u></p> <p>Participants questioned whether an entity could classify a transaction as an ownership contribution if an entity is already wholly owned.</p>	Noted. The section has been amended to reflect that in some cases contributions may be made to sustain an entity's interest in an entity that is wholly owned.
5.4	Western Cape Technical Forum	
	No specific comments were raised, but it was observed that there may be more subjectivity in the way in which financial statements are prepared, particularly for measurement, and that sufficient application guidance would need to be provided to preparers.	Noted. The Board agreed to address this matter in the Feedback Statement mentioned in comment 5.1.1 above.
5.5	Department of Performance Monitoring and Evaluation	
5.5.1	<p><u>General</u></p> <p>Participants welcomed the Conceptual Framework, but indicated the importance for the Board to communicate to users of the Conceptual Framework what the role of the Conceptual Framework is, and how it links with other frameworks such as the Framework for Managing Programme Performance Information.</p>	<p>Noted. The Board agrees that it is vital to communicate how the broader scope interacts with other frameworks so that the Conceptual Framework is not seen as replacing existing frameworks relating to other information outside the financial statements.</p> <p>The Board agreed to address this matter in the Feedback Statement mentioned in comment 5.1.1 above.</p>
5.5.2	<u>Chapter 3</u>	Noted. The Board acknowledged that there may



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	It was noted that, in reporting service performance information in the Annual Performance Reports, entities are required to present all their indicators with no application of materiality concept.	situations where the qualitative characteristics and/or constraints on information will not be applied due to legislative requirements when preparing GPFRs. The Board agreed that, in such situations, the principles in the Conceptual Framework will not apply as the Conceptual Framework is non-authoritative and does not override any existing legislative requirements. [See paragraph 1.9 of the Conceptual Framework]
5.6	Audit Research and Development	
5.6.1	<u>General</u> Participants noted the importance of an acknowledgement by the Board that when preparing the Annual Performance Report, entities need to apply the specific requirements of legislation and frameworks in relation to service performance information.	Noted. The Board agreed to address this matter in the Feedback Statement mentioned in comment 5.1.1 above.
5.6.2	<u>Chapter 2</u> In general, it was noted that paragraphs 2.15 to 2.19 should be reconsidered as they seem to confuse an entity's overall performance with financial performance.	Noted. Paragraph 2.15 of the Conceptual Framework included the discussion of an entity's overall performance under the section dealing with GPFRs. Paragraph 2.15 was deleted as it is a duplication of paragraph 2.12. Additional amendments are proposed to paragraphs 2.20 and 2.24 of the Conceptual Framework to be consistent with current reporting requirements.



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No.	Comment	Board's response
5.6.3	Paragraph 2.23: it was suggested that the last sentence should be linked back to the Annual Performance Report.	Noted. Paragraph 2.23 was amended to make reference to GPFs in general as the Conceptual Framework does not specify the types of reports.
5.6.4	Paragraph 2.29: it was noted that in reading the section it would seem as if service performance information is reported in the notes to the financial statements. It was noted that it should be clarified that such information is currently provided in the notes to the Annual Performance Report.	<p>Noted. The Board reviewed the paragraph and notes that the paragraph makes reference to information "...underlying the financial and service delivery performance of the entity..." and explains that assumptions and other explanatory information may presented in the GPFs in the notes to the financial statements or in separate reports. The paragraph therefore indicates that service performance information would be reported in a separate report.</p> <p>The Board further notes that current legislative frameworks and requirements may already prescribe the format in which such information should be prepared. As such no amendments were proposed to the original text.</p>
5.6.5	Paragraph 2.30 to 2.31: it was suggested that the section should be moved to after paragraph 2.14. The heading of that section should be amended to be "The scope of GPFs".	Noted. The section has been amended accordingly.