

ED 174

Proposed Directive on *The Application of Standards of GRAP by Public Entities that Apply IFRS[®] Standards*





Purpose of Directive

- Entities that apply IFRS Standards and operate in the public sector may undertake transactions for which an IFRS Standard does not exist
- Entities questioned when, and in what circumstances Standards of GRAP could be considered when formulating an accounting policy
- Some inappropriate practices were noted





Application of Directive

- Applicable to public entities that meet Directive 12 criteria to apply IFRS Standards
- Consider when formulating an accounting policy in absence of IFRS Standard that applies to transaction, other event or condition
- Objective to explain when and in what circumstances Standards of GRAP may be considered to formulate accounting policy





IFRS requirements

- Directive should be read in conjunction with IAS 8:
 - Use judgement to develop accounting policy that results in information that is:
 - (a) relevant to economic decision-making needs of users; and
 - (b) meets the qualitative characteristics (QC) in the IFRS Conceptual Framework





IFRS requirements

- When formulating accounting policy consider the applicability of:
 - (a) requirements in IFRS dealing with similar or related issues
 - (b) definitions, recognition criteria, measurement concepts in IFRS Conceptual Framework

Only consider these sources if resulting in information that meets QC in Conceptual Framework and is relevant for economic decision-making needs of users





IFRS requirements

- If information **does not** meet QC in Conceptual Framework and **is not** relevant for economic decision-making needs then:
 - consider most recent pronouncements of another standard-setting body using a similar conceptual framework, other literature and accepted industry practices only if not conflicting:
 - requirements in IFRS dealing with similar/related issue; and/or
 - IFRS Conceptual Framework





When NOT to consider other pronouncements

- IFRS exist for transaction, other event or condition
- existing IFRS deals with similar and related issue
- IFRS Conceptual Framework's definitions, recognition criteria and measurement principles were not considered
- to achieve specific outcome that will be different had IFRS or principles in IFRS Conceptual Framework been applied
- pronouncement is in conflict with IFRS / IFRS Conceptual Framework principles
- QC not met / not relevant for economic decision-making needs





Assessing differences between GRAP and IFRS

- Apply judgement to assess if Standards of GRAP and/or GRAP Conceptual Framework conflict IFRS Standards and/or IFRS Conceptual Framework
- Considerations:
 - (a) Users of financial statements and their decisions
 - (b) Service potential and whether consistent with decisions of users of IFRS financial statements





Assessing differences between GRAP and IFRS

If GRAP Standard and/or GRAP Conceptual Framework and IFRS Standard and/or Conceptual Framework are:

- (a) Not in conflict** → apply principles in GRAP when formulating an accounting policy in absence of IFRS
Entity NOT required to adopt GRAP
- (b) In conflict** → principles in GRAP can not be used when formulating an accounting policy in absence of IFRS
Consider IAS 8 requirements





Comment deadline

- Comment due by **31 July 2019**
- Likely to be finalised in Q3 of 2019
- Board will determine effective date once approved



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