

What do financial statements mean when they are prepared using Standards of GRAP?




Accounting Standards Board





Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.





Overview

- What are Standards of GRAP and their consequences for financial statements.
- What the financial statements mean when prepared using Standards of GRAP.





What are Standards of GRAP and their consequences for financial statements?



Standards of GRAP are...

- The high-level principles used to report transactions and events in the financial statements.
- Information reported in the financial statements is meant:
 - For a wide range of users.
 - To enable assessments of accountability and make decisions.

Standards of GRAP are...

- Issued by the ASB.
- Applied across the public sector.
- Drawn from IPSASs.
- Sets out high-level principles.
- National Treasury responsible for detailed implementation → Guides, tools, MSCOA etc.
- Accrual based financial reporting Standards.

Cash v accrual accounting

- Cash accounting = receipts and payments.
- Accrual accounting = revenue, expenses, assets, liabilities and net assets.

Accrual based FS reflect...

- Financial position (A, L, C)
- Financial performance (R&E)
- Results of cash flows (receipts & payments)
- Changes in net assets
- Performance against budget

STATEMENT OF FINANCIAL POSITION AT MMYYYY

ASSETS (OWN)

Non-current

Current

Total assets



Represents timing of use of resources

X XXX

X XXX

XXXX



LIABILITIES (OWE)

Non-current

Current

Total liabilities



Represents timing of outflow of resources

X XXX

X XXX

X XXX

NET ASSETS (CAPITAL AND RESERVES)

X XXX

TOTAL NET ASSETS AND LIABILITIES



XXXX

Statement of financial position at 30 June	Economic Entity		Municipality	
	2014	2013	2014	2013
Non-current assets	X,XXX	X,XXX	X,XXX	X,XXX
Property, plant and equipment	XXX	XXX	XXX	XXX
Heritage assets	XXX	XXX	XXX	XXX
Investment property	XXX	XXX	XXX	XXX
Intangible assets	XXX	XXX	XXX	XXX
Biological assets (agriculture)	XXX	XXX	XXX	XXX
Investments	XXX	XXX	XXX	XXX
Long term portion of lease receivables	XXX	XXX	XXX	XXX
Current assets	X,XXX	X,XXX	X,XXX	X,XXX
Inventory	XXX	XXX	XXX	XXX
Receivables from exchange transactions	XXX	XXX	XXX	XXX
Receivables from non-exchange transactions	XXX	XXX	XXX	XXX
Other receivables (exchange and non-exchange)	XXX	XXX	XXX	XXX
Current portion of lease receivables	XXX	XXX	XXX	XXX
Cash and cash equivalents/other investments	XXX	XXX	XXX	XXX

Asset type	Definition	Measurement	
		Initial	Subsequent
Property, plant and equipment (GRAP 17)	Tangible items that are (a) Held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (b) expected to be used during more than one period.	Cost or fair value: Include rehabilitation or dismantling costs, componentise	Cost model: Historical cost less accumulated depreciation and impairment <u>OR</u> Revaluation model: Fair value less accumulated depreciation and impairment
Heritage assets (GRAP 103)	Assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.	Cost or fair value.	Cost model: cost less impairment <u>OR</u> Revaluation model: Fair value less impairment.

Asset type	Definition	Measurement	
		Initial	Subsequent
Investment property (GRAP 16)	Land or (part of) building held to (a) earn rentals or (b) for capital appreciation or for both, rather than for use in the production or supply of goods and services or for administrative purposes or for sale in the ordinary course of operations.	Cost or fair value	Cost model: Historical cost less accumulated depreciation and impairment <u>OR</u> Fair value model: fair value @ reporting date
Intangible assets (GRAP 31)	Identifiable non-monetary asset without physical substance.	Cost or fair value: for internally generated only development costs included	Historical cost less accumulated amortisation and impairment <u>OR</u> Fair value less accumulated amortisation and impairment

Asset type	Definition	Measurement	
		Initial	Subsequent
Biological assets (GRAP 27)	Biological asset is a living animal or plant. Held as part of an agricultural activity, which is the management by an entity of the biological transformation and harvest of biological assets for (a) sale, (b) distribution and (c) conversion into agricultural produce or additional biological assets for sale or distribution.	Fair value (or cost in limited instances)	Fair value less costs to sell
Investments (Financial instruments) (GRAP 104)	Contract that gives rise to a financial asset in one entity and a financial liability in another	Fair value	Dependent on category: Fair value, amortised cost less impairment, cost less impairment

Asset type	Definition	Measurement	
		Initial	Subsequent
Long term receivables (Lease receivables) (GRAP 13)	Agreement where the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.	Gross investment in the less discounted at implicit interest rate.	Reduced based to reflect pattern = constant periodic rate of return over period.
Receivables from exchange or non-exchange	Same as financial instrument, or “statutory receivables”. Exchange versus non-exchange	Fair value Cost	Amortised cost less impairment. Impairment.
Inventory (GRAP 12)	Materials or supplies used in production process or rendering services, assets held for sale or distribution in ordinary course of operations, or in the process of production for sale	Cost (exchange) or fair value (non-exchange)	Lower of cost and NRV or CRC

Asset type	Definition	Measurement	
		Initial	Subsequent
Cash and cash equivalents (GRAP 104 and GRAP 2)	Short-term highly liquid investments that are readily convertible into known amounts of cash and are subject to insignificant changes in value.	Fair value	Usually amortised cost less impairment



Statement of financial position at 30 June	Economic Entity		Municipality	
	2014	2013	2014	2013
Non-current liabilities	X,XXX	X,XXX	X,XXX	X,XXX
Borrowings	XXX	XXX	XXX	XXX
- Financial instruments	XXX	XXX	XXX	XXX
- Long term portion of lease payables	XXX	XXX	XXX	XXX
Provisions	XXX	XXX	XXX	XXX
Employee benefit obligations	XXX	XXX	XXX	XXX
Current liabilities	X,XXX	X,XXX	X,XXX	X,XXX
Deposits	XXX	XXX	XXX	XXX
Provisions	XXX	XXX	XXX	XXX
- Employee benefits	XXX	XXX	XXX	XXX
- Other	XXX	XXX	XXX	XXX
Payables from exchange transactions	XXX	XXX	XXX	XXX
Short term portion of lease payables	XXX	XXX	XXX	XXX
Unspent portion of conditional grants/donor funding received	XXX	XXX	XXX	XXX

Liability type	Definition	Measurement	
		Initial	Subsequent
Employee benefits (GRAP 25)	<p><u>Non-current</u> Pension benefits (defined benefit plans, multi-employer plans) Long term benefits (long service awards, long service leave, disability)</p> <p><u>Current</u> Leave Unpaid portion of contributions to medical aids, post-retirement benefits (defined contribution plans)</p>	<p>Projected unit credit method.</p> <p>Varies depending on benefit.</p>	<p>Adjusted for new interest rates and assumptions.</p> <p>Reduced as paid or used.</p>
Payables from exchange transactions	Same as financial instruments.	Fair value.	Amortised cost.

Liability type	Definition	Measurement	
		Initial	Subsequent
Borrowings - Financial instruments (GRAP 104)	Same as asset.	Fair value.	Amortised cost.
Borrowings - Finance leases (GRAP 13)	Same as asset.	Present value of future minimum lease payments.	Separate between capital and interest. Interest based on constant periodic rate of interest.
Provisions (GRAP 19)	Liabilities of uncertain timing or amount.	Best estimate of the expenditure required to settle the obligation (LT = discounted)	Reduced as used, or adjusted based on new information or circumstances.
Unspent portion of conditional grants (GRAP 23)	Discuss under revenue.	Value of resources received.	Reduced as conditions met.

STATEMENT OF FINANCIAL PERFORMANCE AT MMYYYY

REVENUE

Exchange revenue

X XXX

Non-exchange revenue

X XXX

X XXX

EXPENSES

By nature or function





X XXX





X XXX

Surplus (or deficit) for the year

X XXX



Statement of financial performance for the year	Economic Entity		Municipality	
	2014	2013	2014	2013
Exchange revenue	X,XXX	X,XXX	X,XXX	X,XXX
Service charges 	XXX	XXX	XXX	XXX
Rental of letting stock and facilities	XXX	XXX	XXX	XXX
Finance income	XXX	XXX	XXX	XXX
Licenses and permits	XXX	XXX	XXX	XXX
Agency services 	XXX	XXX	XXX	XXX
Gains on disposal of property, plant and equipment (or other assets)	XXX	XXX	XXX	XXX
Non-exchange revenue	X,XXX	X,XXX	X,XXX	X,XXX
City Improvement Districts	XXX	XXX	XXX	XXX
Property rates	XXX	XXX	XXX	XXX
Fines 	XXX	XXX	XXX	XXX
Government grants and subsidies 	XXX	XXX	XXX	XXX
Public contributions	XXX	XXX	XXX	XXX


Statement of financial performance for the year	Economic Entity		Municipality	
	2014	2013	2014	2013
Expenditure	X,XXX	X,XXX	X,XXX	X,XXX
Employee-related costs (current and long term) 	XXX	XXX	XXX	XXX
Remuneration to councillors	XXX	XXX	XXX	XXX
Impairment of assets 	XXX	XXX	XXX	XXX
- Receivables, investments or non-current assets				
Depreciation and amortisation 	XXX	XXX	XXX	XXX
Finance costs	XXX	XXX	XXX	XXX
Bulk purchases	XXX	XXX	XXX	XXX
Grants and subsidies paid	XXX	XXX	XXX	XXX
General	XXX	XXX	XXX	XXX
Losses on disposal of property, plant and equipment (or other assets)	XXX	XXX	XXX	XXX
Loss on remeasurement of investment property 	XXX	XXX	XXX	XXX



Cash flow statement

- Movement in cash for the year between opening and closing “cash and cash equivalents”.
- Separated between:
 - Operating activities
 - Investing activities
 - Financing activities



Cash flow statement for the year	Economic Entity		Municipality	
	2014	2013	2014	2013
Operating activities 	X,XXX	X,XXX	X,XXX	X,XXX
- Cash received from customers, grants, subsidies (operating and capital), and interest received	XXX	XXX	XXX	XXX
- Cash paid to suppliers, employees, interest paid and grants and other subsidies disbursed	XXX	XXX	XXX	XXX
Investing activities	X,XXX	X,XXX	X,XXX	X,XXX
- Purchase of assets	XXX	XXX	XXX	XXX
- Sale proceeds on disposals of assets	XXX	XXX	XXX	XXX
Financing activities	X,XXX	X,XXX	X,XXX	X,XXX
- Proceeds from borrowings	XXX	XXX	XXX	XXX
- Repayment of borrowings	XXX	XXX	XXX	XXX
Cash and cash equivalents at start of year	XXX	XXX	XXX	XXX
Cash and cash equivalents at end of year	X,XXX	X,XXX	X,XXX	X,XXX



Comparison of budget and actual information

- Compares budget to financial statements.
- Financial statement information adjusted to budget (line items and basis).
- Variance reported along with explanation.





Contact details

Tel: (011) 697-0660

Fax: (011) 697-0666

Email: info@asb.co.za

Website: www.asb.co.za

: Accounting Standards Board

: @ASB_SA

