



Comments due by 29 November 2019

ACCOUNTING STANDARDS BOARD

INVITATION TO COMMENT ON PROPOSED TRANSITIONAL PROVISIONS FOR THE STANDARD OF GRAP ON FINANCIAL INSTRUMENTS (REVISED 2019) (ED 177)



Commenting on this Exposure Draft

The Accounting Standards Board (the Board) seeks comment on the Exposure Draft of the proposed *Transitional Provisions for the Standard of GRAP on Financial Instruments (Revised 2019)*.

The proposals in this Exposure Draft may be modified in the final document in the light of comment received. Comment should be submitted in writing so as to be received by **29 November 2019**. Email responses are preferred. Unless respondents to this Exposure Draft specifically request confidentiality, their comment is a matter of public record once the Standard of GRAP has been issued. Comment should be addressed to:

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Introduction

Directive

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 (including national, provincial and government components);
- (b) public entities;
- (c) trading entities (as defined in the PFMA);
- (d) constitutional institutions;
- (e) municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and
- (f) Parliament and the provincial legislatures.

The above are collectively referred to as “entities” in Standards of GRAP.

The Board has approved the application of International Financial Reporting Standards (IFRS[®] Standards) issued by the International Accounting Standards Board[®] for:

- (a) public entities that meet the criteria outlined in the Directive on *The Selection of an Appropriate Reporting Framework by Public Entities*; and
- (b) entities under the ownership control of any of these entities.

Section 89(1)(b) of the PFMA requires the Board to prepare and publish directives and guidelines concerning the Standards of GRAP as set out in section 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.

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

Background to this Exposure Draft

Revisions to the Standard of GRAP on Financial Instruments (GRAP 104)

The Board approved amendments to GRAP 104, which was originally issued in 2009, at its March 2019 meeting. The amendments to GRAP 104 were made to align it with the IFRS Standard on *Financial Instruments*. The revised GRAP 104 can be accessed on the ASB's website by following this link: <http://www.asb.co.za/grap-104-2/>.

A summary of the key changes made to GRAP 104 is available as an annexure to this document.

This Exposure Draft outlines the transitional arrangements for the initial-time adoption of the amendments. The transitional provisions:

- outline the overarching principles to be applied on initial adoption; and
- provide guidance on specific areas where the new and the old accounting principles differ.

Possible effective date

The Board, in consultation with the National Treasury and the Auditor-General South Africa, propose an effective date of 1 April 2024 for the revised Standard. This means that the financial statements for the years ending on 31 March 2025 and 30 June 2025, and 31 December 2026 for entities in the higher education sector, will be required to include the new requirements of GRAP 104.

The proposed effective date has been proposed with the following in mind:

- The transitional provisions are scheduled to be approved by the Board in March 2020. Thereafter a submission will be made to the Minister of Finance for approval of the revised Standard.
- There would be approximately five years of IFRS 9 application in the private sector on which implementation in the public sector could be based.
- Extending the period beyond three years could result in a new precedent being created by the Board for future projects, and a delayed response by entities to take action.
- The National Treasury has indicated that it will develop guidance on financial instruments, which will help entities understand the basic principles under the current requirements. Much of this guidance, if applied by entities, will help with the implementation of the new requirements. The five year period will allow time for the guidance to be developed and implemented.

Next steps

It is currently anticipated that the Board will finalise the transitional provisions in the first quarter of 2020. Thereafter a submission will be made to the Minister of Finance to approve the revision of GRAP 104.

Due process and timetable

The Board invites 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.

Upon the closure of the comment period, the Board will consider the comment received on the Exposure Draft.

Request for comment

Comment on this Exposure Draft is invited by **29 November 2019**. The Board requests that respondents express an overall opinion on whether the Exposure Draft, in general, is supported and to 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 appropriate. The basis for accepting or rejecting significant comment will be published on the website.

General matters for comment

As with any other Exposure Draft, comment on any other matter contained in this Exposure Draft would also be welcomed. Comment is most helpful if reference is made to a specific paragraph or group of paragraphs.

Specific matters for comment

1. Do you support the transitional provisions for GRAP 104? Are there any additional transitional provisions that should be provided?
2. Do you agree with the effective date of 1 April 2024? If no, explain why.
3. Are there any specific implementation issues that the Board should be aware of?