

ACCOUNTING STANDARDS BOARD

STATEMENT OF ACCOUNTING POLICIES USED IN THE PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The following are the principal accounting policies of the ASB which, in all material respects, are consistent with those applied in the previous year. The historical cost convention has been used, except where otherwise indicated. Management has used assessments and estimates in preparing the annual financial statements. These are based on the best information available at the time of preparation. The financial statements have been prepared on a going concern basis.

Basis of preparation

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP). They are presented in South African Rand, which is the functional currency of the ASB.

Comparison to budget

The financial statements and the budget are prepared on the same basis of accounting. Comparative information is not required.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The depreciable amounts of property, plant and equipment are allocated on systematic bases over their useful lives. Management expects to abandon the assets at the end of their useful lives and therefore the residual values are estimated to be negligible. Useful lives and residual values are assessed on an annual basis.

The estimated useful lives of property, plant and equipment are currently as follows:

Item	Average useful life
Furniture and fittings	12 years
Office equipment	3 - 5 years
Leasehold improvements	Amortised over the period of the lease

Impairment losses are determined as the excess of the carrying amount of items of property, plant and equipment over the recoverable service amount and are charged to surplus or deficit.

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure meets the definition of an asset and the recognition criteria. Repairs and maintenance not deemed to enhance the economic benefits or service potential of items of property, plant and equipment are expensed as incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in surplus or deficit in the period.

Employee benefits

Short-term employee benefits

The cost of short-term employee benefits is recognised in the period in which the service is rendered and is not discounted.

Provision for employee benefits

Provision for employee entitlement to annual leave represents the present obligation that the ASB has to pay as a result of employees' services provided to the reporting date. The provision has been calculated at undiscounted amounts based on salary rates effective at the reporting date.

Post-retirement employee benefits

The ASB operates a defined contribution plan for its employees and is not liable for any actuarial loss sustained by the fund. Accordingly, no provision has been made for any such losses and contributions paid are expensed.

Transfer from the National Treasury

The transfer from the National Treasury is recognised when it is probable that future economic benefits will flow to the ASB and when the amount can be measured reliably. Revenue is recognised to the extent that there is no further obligation arising from the receipt of the transfer payment.

Other income

Other income is recognised when it is probable that future economic benefits will flow to the ASB and when the amount can be measured reliably.

Services received in kind

The ASB receives services in kind from the National Treasury for the shared internal audit function and remuneration paid to members of the Audit and Risk Committee. It also receives services in kind from members of project groups who are not remunerated by the ASB for their contributions to standard-setting. The ASB cannot reliably determine a fair value for the services it received in kind. Accordingly no amount is recognised in the Statement of Financial Performance for the value of these services received.

Lease transactions

Rentals payable under operating leases are charged to surplus or deficit on a straight-line basis over the term of the lease.

Financial instruments

Initial recognition and measurement

Financial instruments are recognised when the ASB becomes a party to the contractual provisions of the relevant instrument, and are initially measured at fair value. Subsequent to initial recognition, these instruments are measured as set out below.

Receivables

Receivables are stated at amortised cost which, due to their short-term nature, closely approximates their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and deposits held on call and are stated at amortised cost which, due to their short-term nature, closely approximates their fair value.

Payables

Payables are stated at amortised cost which, due to their short-term nature, closely approximates their fair value.

Offsetting

Financial assets and financial liabilities have not been offset in the Statement of Financial Position.

Other receivables

Other receivables consist of prepaid expenses and deposits relating to the provision of electricity and the leasing of the premises. These receivables are stated at cost.

Interest income

Interest income is recognised on a time proportionate basis using the effective interest rate method.

Provisions

Provisions are recognised when the ASB has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation. This occurs when a reliable estimate can be made of the obligation. All the provisions of the ASB are short-term in nature and the effect of discounting is immaterial.

Comparative figures

No reclassification of comparative figures has been made.

Critical accounting judgements

Aspects where judgement has been exercised that may have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial period are discussed below.

Determination of useful lives for property, plant and equipment

The nature of the ASB's operations results in difficulties in determining the useful lives of items of property, plant and equipment. The asset lives exceed industry norms for similar assets. In re-assessing useful lives, the depreciation charge in the Statement of Performance is adjusted.

Adequacy of the leave pay provision

The leave pay provision is based on actual days accrued at the rate of remuneration at the reporting date. Changes in the rate of remuneration are determined annually and are effective from the first date of the financial year. The provision is only needed when staff resign, as unused leave is forfeited a year after the year in which it accrued.