



Accounting Standards Board

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ACCOUNTING STANDARDS BOARD

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

General information

The Accounting Standards Board (ASB) is a juristic person established in accordance with the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), and specified in Schedule 3A of that Act. The principal activity of the ASB is the setting of Standards of Generally Recognised Accounting Practice (GRAP).

Material accounting policies

The material accounting policies applied in the preparation and presentation of the financial statements are set out below. These policies were consistently applied for the years presented, unless otherwise stated. The material accounting policies relate to the revenue of the ASB and employee benefits, which are the main activities of the ASB.

Basis of preparation

The annual financial statements have been prepared in accordance with Standards of GRAP, as set out in the ASB's Directive on *Determining the GRAP Reporting Framework*. They are presented in South African Rand, which is the functional currency of the Republic of South Africa.

The financial statements are prepared using the going-concern principle and on an accrual basis, in line with the historical cost measurement basis, unless stated otherwise.

Budget information

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

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 a systematic basis 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

Board Members: Ms T Coetzer, Mr B Colyvas, Ms I Lubbe, Mr M Kunene, Mr K Makwetu,
Mr J Nair, Mr V Ndzimande, Ms N Ranchod, Ms R Rasikhinya, Ms C Wurayayi
Alternate: Ms L Bodewig
Chief Executive Officer: Ms E Swart, Technical Director: Ms J Poggiolini



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 - 20 years
Office equipment	3 - 12 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 and the recognition criteria of an asset. 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.

Provision for employee benefits

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

Provision for performance bonuses

The provision for performance bonuses represents the obligation to reward performance based on the performance incentive arrangements in place for services rendered up to the reporting date. The provision is the best estimate of performance bonuses payable in accordance with the rules of the arrangements at the reporting date.

Post-retirement employee benefits

The ASB contributes to a retirement annuity fund on behalf of its employees and is not liable for any actuarial loss sustained by the fund. Accordingly, no provision has been made for any such losses. As the contributions made are those of the employees from guaranteed remuneration, the contributions paid are expensed as remuneration.

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 reliably measured. The ASB determines this to be the transfer the ASB is entitled to on a quarterly basis in accordance with the National Treasury payment schedules. There are no conditions attached to the transfer and the ASB recognises the full amount as revenue when the ASB becomes entitled to it.

The amount of the transfer payment received not used, is recognised as a liability. An application is made in the new financial year to retain the unused amount. When consent is obtained to use the funds, it is derecognised as a liability and recognised as revenue.

Comparative information

Where necessary, the comparative figures have been adjusted to confirm to changes in presentation in the current year.

For the current financial period, comparative figures have been adjusted on the face of the statement of financial position and related notes to reflect a short term provision for performance bonuses separate from payables from exchange transactions.

Services received in kind

The ASB recognises services received in kind in the statement of financial performance at the fair value of these services received, to the extent that a fair value can be determined reliably. Where fair value cannot be determined reliably, the nature and type of services received are disclosed. Services received in kind include shared services with the National Treasury, unremunerated project group members and Board members in public service, and training.

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.

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.

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.

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 financial 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.

Adequacy of provision for performance bonuses

The provision for performance bonuses is based on the recommendation by the Operations Committee, in its capacity as remuneration committee, to the Board, which is deemed to be a reliable estimate.