



ACCOUNTING STANDARDS BOARD

STANDARD OF GENERALLY RECOGNISED ACCOUNTING PRACTICE

PRESENTATION OF FINANCIAL STATEMENTS (GRAP 1)



Acknowledgement

The Standard of Generally Recognised Accounting Practice (GRAP) on *Presentation of Financial Statements* is based on the International Public Sector Accounting Standard (IPSAS) 1 on *Presentation of Financial Statements* from the *Handbook of International Public Sector Accounting Pronouncements* of the International Public Sector Accounting Standards Board (IPSASB), published by the International Federation of Accountants (IFAC) and is used with the permission of the IFAC.

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PRESENTATION OF FINANCIAL STATEMENTS

This Standard was originally issued by the Accounting Standards Board (the Board) in April 2004. Since then, it has been amended by:

- Improvements to the Standards of GRAP, issued by the Board in February 2010.
- Consequential amendments when the following Standards of GRAP became effective:
 - GRAP 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)*
 - GRAP 24 *Presentation of Budget Information in Financial Statements*
 - GRAP 104 *Financial Instruments*
- Improvements to the Standards of GRAP, issued by the Board in March 2012.
- Consequential amendments following the revisions to GRAP 100 *Discontinued Operations* in 2013.
- Improvements to the Standards of GRAP, issued by the Board in November 2013.
- Consequential amendments when the following Standards of GRAP became effective:
 - GRAP 105 *Transfer of Functions Between Entities Under Common Control*
 - GRAP 106 *Transfer of Functions Between Entities Not Under Common Control*
 - GRAP 107 *Mergers*
- Amendments to GRAP 16 *Investment Property* and GRAP 17 *Property, Plant and Equipment*, issued by the Board in May 2015.
- Consequential amendments when the following Standards of GRAP became effective:
 - GRAP 35 *Consolidated Financial Statements*
 - GRAP 37 *Joint Arrangements*
 - GRAP 38 *Disclosure of Interests in Other Entities*
 - GRAP 110 *Living and Non-living Resources*
- Amendments to this Standard as part of the project on *Materiality*, issued by the Board in April 2019.



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Introduction

This pronouncement is set out in paragraphs .01 to .151. All paragraphs in this pronouncement have equal authority. The status and authority of appendices are dealt with in the preamble to each appendix. This pronouncement should be read in the context of its objective, its basis for conclusions and/or the basis for conclusions of its international equivalent, if applicable, the *Preface to the Standards of GRAP* and the *Framework for the Preparation and Presentation of Financial Statements*¹.

Standards of GRAP and Interpretations of the Standards of GRAP should also be read in conjunction with any directives issued by the Board prescribing transitional provisions, as well as any regulations issued by the Minister of Finance regarding the effective dates of the Standards, published in the Government Gazette.

Directives should be read in conjunction with the applicable Standards of GRAP and Interpretations of the Standards of GRAP.

¹ In June 2017, the Board replaced the *Framework for the Preparation and Presentation of Financial Statements* with the *Conceptual Framework for General Purpose Financial Reporting*.

Objective

- .01 The objective of this Standard is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. To achieve this objective, this Standard sets out overall considerations for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The recognition, measurement and disclosure of specific transactions, other events and conditions are dealt with in other Standards of GRAP.

Scope

- .02 ***This Standard shall be applied to all general purpose financial statements prepared and presented under the accrual basis of accounting in accordance with Standards of GRAP.***
- .03 General purpose financial statements are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs. Users of general purpose financial statements include taxpayers and ratepayers, members of the legislature, creditors, suppliers, the media, and employees. General purpose financial statements include those that are presented separately or within another public document such as an annual report. This Standard does not apply to the structure and content of condensed interim financial information.
- .04 This Standard applies equally to all entities including those that present consolidated financial statements in accordance with the Standard of GRAP on *Consolidated Financial Statements* (GRAP 35) and those that present separate financial statements in the Standard of GRAP on *Separate Financial Statements*.

Definitions

- .05 ***The following terms are used in this Standard with the meanings specified:***
- Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.***
- Accrual basis means a basis of accounting under which transactions other events and conditions are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions, other events or conditions are recorded in the accounting records and recognised in the financial statements of the periods to which they relate. The elements recognised under accrual accounting are assets, liabilities, net assets, revenue and expenses.***



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Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Contributions from owners means future economic benefits or service potential that has been contributed to the entity by parties external to the entity, other than those that result in liabilities of the entity, that establish a financial interest in the net assets of the entity, which:

- (a) conveys entitlement both to distributions of future economic benefits or service potential by the entity during its life, such distributions being at the discretion of the owners or their representatives, and to distributions of any excess of assets over liabilities in the event of the entity being wound up; and/or
- (b) can be sold, exchanged, transferred or redeemed.

Distributions to owners means future economic benefits or service potential distributed by the entity to all or some of its owners, either as a return on investment or as a return of investment.

Economic entity means a group of entities comprising a controlling entity and one or more controlled entities.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Impracticable Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. For a particular prior period, it is impracticable to apply a change in an accounting policy retrospectively or to make a retrospective restatement to correct an error if:

- (a) the effects of the retrospective application or retrospective restatement are not determinable;
- (b) the retrospective application or retrospective restatement requires assumptions about what management's intent would have been in that period; or
- (c) the retrospective application or retrospective restatement requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that:

- (i) provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognised, measured or disclosed; and*
- (ii) would have been available when the financial statements for that prior period were authorised for issue from other information.*

Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Management comprises those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Net assets are the residual interest in the assets of the entity after deducting all its liabilities.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Notes contain information in addition to that presented in the statement of financial position, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts. Notes provide narrative descriptions or disaggregations of items disclosed in those statements and information about items that do not qualify for recognition in those statements.

Reporting date means the date of the last day of the reporting period to which the financial statements relate.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Standards of GRAP comprise the Standards, Interpretations of the Standards of GRAP and Directives issued by the Accounting Standards Board (ASB).



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Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards.

Material

- .06 Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. Users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

Standards of GRAP

- .07 Standards of GRAP include the Standards of GRAP, Interpretations of the Standards of GRAP and any Directives issued by the ASB. Guidelines explain the application of the principles included in the Standards and/or Interpretations to specific transactions, events or circumstances. The authority of Guidelines is set out in each Guideline or in Directives issued by the ASB.

Purpose of financial statements

- .08 Financial statements are a structured representation of the financial position and financial performance of an entity. The objective of general purpose financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making and evaluating decisions about the allocation of resources. Specifically, the objectives of general purpose financial reporting in the public sector should be to provide information useful for decision-making, and to demonstrate the accountability of the entity for the resources entrusted to it by:
- (a) providing information about the sources, allocation and use of financial resources;
 - (b) providing information about how the entity financed its activities and met its cash requirements;
 - (c) providing information that is useful in evaluating the entity's ability to finance its activities and to meet its liabilities and commitments;
 - (d) providing information about the financial condition of the entity and changes in it; and
 - (e) providing aggregate information useful in evaluating the entity's performance in terms of service costs, efficiency and accomplishments.
- .09 General purpose financial statements can also have a predictive or prospective role, providing information useful in predicting the level of resources required for



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continued operations, the resources that may be generated by continued operations, and the associated risks and uncertainties. Financial reporting may also provide users with information:

- (a) indicating whether resources were obtained and used in accordance with the legally adopted budget; and
 - (b) indicating whether resources were obtained and used in accordance with legal and contractual requirements, including financial limits established by appropriate legislative authorities.
- .10 To meet these objectives, the financial statements provide information about an entity's:
- (a) assets;
 - (b) liabilities;
 - (c) net assets;
 - (d) revenue;
 - (e) expenses;
 - (f) other changes in net assets; and
 - (g) cash flows.

Components of financial statements

.11 A complete set of financial statements comprises:

- (a) a statement of financial position;**
- (b) a statement of financial performance;**
- (c) a statement of changes in net assets;**
- (d) a cash flow statement;**
- (e) a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements, when the entity makes its approved budget publicly available;**
- (f) notes, comprising significant accounting policies and other explanatory notes; and**
- (g) comparative information in respect of the preceding period as specified in paragraphs .44 and .45.**

.12 The components listed in paragraph .11 are referred to by a variety of names. The statement of financial position may also be referred to as a balance sheet or statement of assets and liabilities. The statement of financial performance may also be referred to as a statement of revenues and expenses, an income statement, an

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operating statement, or a profit and loss statement. The notes to the financial statements may include items referred to as “schedules”, “annexures” or “appendices”.

- .13 The financial statements provide users with information about an entity's resources and obligations at the reporting date and the flow of resources between reporting dates. This information is useful for users making assessments of an entity's ability to continue to provide goods and services at a given level, and the level of resources that may need to be provided to the entity in the future so that it can continue to meet its service delivery obligations.
- .14 Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through legislation, appropriation or similar authorisation. General purpose financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. Entities that make publicly available their approved budget(s) are required to comply with the requirements of the Standard of GRAP on *Presentation of Budget Information in Financial Statements*. For other entities, where the financial statements and the budget are on the same basis of accounting, this Standard encourages the inclusion in the financial statements of a comparison with the budgeted amounts for the reporting period. Reporting against budget(s) for these entities may be presented in various different ways, including:
 - (a) the use of a columnar format for the financial statements, with separate columns for budgeted amounts and actual amounts. A column showing any variances from the budget or appropriation may also be presented, for completeness; and
 - (b) disclosure that the budgeted amounts have not been exceeded. If any budgeted amount or appropriations have been exceeded, or expenses incurred without appropriation or other form of authority, then details may be disclosed by way of footnote to the relevant item in the financial statements.
- .15 Entities are encouraged, or may be required by legislation, regulations or similar documents described in legislation or regulations, to present additional information to assist users in assessing the performance of the entity, and its stewardship of assets, as well as making and evaluating decisions about the allocation of resources. This additional information may include details about the entity's outputs and outcomes in the form of performance indicators, statements of service performance, programme reviews and other reports by management about the entity's achievements over the reporting period.
- .16 Entities are also encouraged, or may be required by legislation, regulations or similar documents described in legislation or regulations, to disclose information about compliance with legislative, regulatory or other externally imposed regulations. When information about compliance is not included in the financial statements, it may be



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useful for a note to refer to any documents that include that information. Knowledge of non-compliance is likely to be relevant for accountability purposes and may affect a user's assessment of the entity's performance and direction of future operations. It may also influence decisions about resources to be allocated to the entity in the future.

Overall considerations

Fair presentation and compliance with Standards of Generally Recognised Accounting Practice

- .17** *Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.*
- .18** *An entity whose financial statements comply with Standards of GRAP shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with Standards of GRAP unless they comply with all the requirements of Standards of GRAP.*
- .19** In virtually all circumstances, a fair presentation is achieved by compliance with applicable Standards of GRAP. A fair presentation also requires an entity:
- (a) to select and apply accounting policies in accordance with the requirements of the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* (GRAP 3), which sets out a hierarchy of authoritative guidance that management considers in the absence of a Standard that specifically applies to an item;
 - (b) to present information, including accounting policies, in a manner which provides relevant, reliable, comparable and understandable information; and
 - (c) to provide additional disclosures when compliance with the specific requirements in Standards of GRAP is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- .20** *Inappropriate accounting policies are not rectified either by disclosure of the accounting policies used, or by notes or explanatory material.*
- .21** *In the extremely rare circumstances when management concludes that compliance with a requirement in a Standard of GRAP would be so misleading that it would conflict with the objective of financial statements in the*



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Framework for the Preparation and Presentation of Financial Statements², the entity shall depart from that requirement in the manner set out in paragraph .22 if the regulatory framework requires such a departure.

- .22** When an entity departs from a requirement of a Standard of GRAP in accordance with paragraph .21, it shall disclose:
- (a)** that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;
 - (b)** that it has complied with applicable Standards of GRAP, except that it has departed from a particular requirement to achieve a fair presentation;
 - (c)** the title of the Standard of GRAP from which the entity has departed, the nature of the departure, including the treatment that the Standard of GRAP would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements in the Framework for the Preparation and Presentation of Financial Statements², and the treatment adopted; and
 - (d)** for each period presented, the financial impact of the departure on each item in the financial statements that would have been reported in complying with the requirement.
- .23** When an entity has departed from a requirement of a Standard of GRAP in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in paragraphs .22(c) and (d).
- .24** Paragraph .23 applies, for example, when an entity departed in a prior period from a requirement in a Standard for the measurement of assets or liabilities and that departure affects the measurement of changes in assets and liabilities recognised in the current period's financial statements.
- .25** For the purpose of paragraphs .21 to .24, an item of information would conflict with the objective of financial statements when it does not represent faithfully the transactions, other events and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence decisions made by users of financial statements. When assessing whether complying with a specific requirement in a Standard of GRAP would be so misleading that it would conflict with the objective of financial statements in the Framework for the Preparation and Presentation of Financial Statements², management considers:
- (a)** why the objective of financial statements is not achieved in the particular circumstances; and

² In June 2017, the Board replaced the *Framework for the Preparation and Presentation of Financial Statements* with the *Conceptual Framework for General Purpose Financial Reporting*.

(b) how the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of financial statements in the *Framework for the Preparation and Presentation of Financial Statements*².

- .26 Departures from the requirements of a Standard of GRAP in order to comply with statutory or legislative reporting requirements do not constitute departures that conflict with the objective of financial statements set out in paragraph .21. If such departures are material an entity cannot claim compliance with Standards of GRAP.

Going concern

.27 When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless there is an intention to liquidate the entity or to cease operating, or if there is no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.

.28 Financial statements are normally prepared on the assumption that the entity is a going concern and will continue in operation or some modified form, for example a merger, and meet its statutory obligations for the foreseeable future. In assessing whether the going concern assumption is appropriate management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the reporting date.

.29 The degree of consideration depends on the facts in each case, and assessments of the going concern assumption are not predicated on the solvency test usually applied to business enterprises. There may be circumstances where the usual going concern tests of liquidity and solvency appear unfavourable, but other factors suggest that the entity is nonetheless a going concern. For example:

- (a) in assessing whether an entity is a going concern, the power to levy rates or taxes may enable some entities to be considered as a going concern even though they may operate for extended periods with negative net assets; and
- (b) for an individual entity, an assessment of its statement of financial position at the reporting date may suggest that the going concern assumption is not appropriate. However, there may be multi-year funding agreements, or other

arrangements, in place that will ensure the continued operation of the entity.

- .30 The determination of whether the going concern assumption is appropriate is primarily relevant for individual entities rather than for government as a whole. For individual entities, in assessing whether the going concern basis is appropriate, management may need to consider a wide range of factors surrounding current and expected performance, expected short and medium term economic environment in which the entity operates, potential and announced restructurings of organisational units, estimates of revenue or the likelihood of continued government funding, and potential sources of replacement financing before it is appropriate to conclude that the going concern assumption is appropriate.

Accrual basis of accounting

- .31 ***An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.***
- .32 When the accrual basis of accounting is used, items are recognised as assets, liabilities, net assets, revenue and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the *Framework for the Preparation and Presentation of Financial Statements*².

Consistency of presentation

- .33 ***The presentation and classification of items in the financial statements shall be retained from one period to the next unless:***
- (a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in GRAP 3; or***
- (b) a Standard of GRAP requires a change in presentation.***
- .34 A significant acquisition or disposal, or a review of the presentation of the financial statements, might suggest that the financial statements need to be presented differently. For example, an entity may dispose of a savings bank that represents one of its most significant controlled entities and the remaining economic entity conducts mainly administrative and policy advice services. In this case, the presentation of the financial statements based on the principal activities of the economic entity as a financial institution is unlikely to be relevant for the new economic entity.
- .35 An entity changes the presentation of its financial statements only if the changed presentation provides information that is reliable and is more relevant to users of the financial statements and the revised structure is likely to continue, so that comparability is not impaired. When making such changes in presentation, an entity



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reclassifies its comparative information in accordance with paragraphs .49 and .50.

Materiality and aggregation

- .36** *Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately unless they are immaterial.*
- .37** Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data which form line items on the face of the statement of financial position, statement of financial performance, statement of changes in net assets and cash flow statement, or in the notes. If a line item is not individually material, it is aggregated with other items either on the face of those statements or in the notes. An item that is not sufficiently material to warrant separate presentation on the face of those statements may nevertheless be sufficiently material for it to be presented separately in the notes.
- .37A** When applying this and other Standards of GRAP an entity shall decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which includes the notes. An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
- .38** Some Standards of GRAP specify information that is required to be included in the financial statements, which include the notes. Applying the concept of materiality means that a specific disclosure requirement in a Standard of GRAP need not be satisfied if the information resulting from that disclosure is not material. This is the case even if a Standard of GRAP contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in a Standard of GRAP is insufficient to enable the users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Offsetting

- .39** *Assets and liabilities, revenue and expenses, shall not be offset unless required or permitted by a Standard of GRAP.*
- .40** It is important that assets and liabilities, and revenue and expenses, are reported separately. Offsetting in the statement of financial performance or the statement of financial position, except when offsetting reflects the substance of the transaction or other event, detracts from the ability of users both to understand the transactions, other events and conditions that have occurred and to assess the entity's future

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cash flows. Measuring assets net of valuation allowances, for example, obsolescence allowances on inventories and doubtful debts allowances on receivables, is not offsetting.

- .41 The Standard of GRAP on *Revenue from Exchange Transactions* defines revenue and requires it to be measured at the fair value of consideration received or receivable, taking into account the amount of any discounts and volume rebates allowed by the entity. An entity undertakes, in the course of its ordinary activities, other transactions that do not generate revenue but are incidental to the main revenue-generating activities. The results of such transactions are presented, when this presentation reflects the substance of the transaction or other event, by netting any revenue with related expenses arising on the same transaction. For example:
- (a) gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses; and
 - (b) expenses relating to a provision that is recognised in accordance with the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets* (GRAP 19) and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) may be netted against the related reimbursement.
- .42 In addition, gains and losses arising from a group of similar transactions are reported on a net basis, for example, foreign exchange gains and losses and gains and losses arising on financial instruments held for trading. Such gains and losses are, however, reported separately if they are material.
- .43 The offsetting of cash flows is dealt with in the Standard of GRAP on *Cash Flow Statements* (GRAP 2).

Comparative information

Minimum comparative information

- .44 ***Except when a Standard of GRAP permits or requires otherwise, comparative information shall be presented in respect of the preceding period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.***
- .45 ***An entity shall present, as a minimum, two statements of financial position, two statements of financial performance, two cash flow statements and two statements of changes in net assets, and related notes.***
- .46 In some cases, narrative information provided in the financial statements for the preceding period(s) continues to be relevant in the current period. For example, details of a legal dispute, the outcome of which was uncertain at the end of the preceding period and is yet to be resolved, are disclosed in the current period.



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Users may benefit from the disclosure of information that the uncertainty existed at the end of the preceding period, and about the steps that have been taken during the period to resolve the uncertainty.

Additional comparative information

- .47 An entity may present comparative information in addition to the minimum comparative financial statements required by the Standards of GRAP, as long as that information is prepared in accordance with the Standards. This comparative information may consist of one or more statements referred to in paragraph .11, but need not comprise a complete set of financial statements. When this is the case, the entity shall present related note information for those additional statements.
- .48 For example, an entity may present a third statement of financial performance (thereby presenting the current period, the preceding period and one additional comparative period). However, the entity is not required to present a third statement of financial position, a third cash flow statement or a third statement of changes in net assets (i.e. an additional financial statement comparative). The entity is required to present, in the notes to the financial statements, the comparative information related to that additional statement of financial performance.
- .49 ***If the presentation or classification of items in the financial statements is amended, comparative amounts shall be reclassified, unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose (including as at the beginning of the preceding period):***
- (a) the nature of the reclassification;***
 - (b) the amount of each item or class of items that is reclassified; and***
 - (c) the reason for the reclassification.***
- .50 ***When it is impracticable to reclassify comparative amounts, an entity shall disclose:***
- (a) the reason for not reclassifying the amounts; and***
 - (b) the nature of the adjustments that would have been made if the amounts had been reclassified.***
- .51 Enhancing the inter-period comparability of information assists users in making and evaluating decisions, especially by allowing the assessment of trends in financial information for predictive purposes. In some circumstances it is impracticable to reclassify comparative information for a particular preceding period to achieve comparability with the current period. For example, data may not have been collected in the preceding period(s) in a way that allows reclassification, and it may not be practicable to recreate the information.
- .52 GRAP 3 deals with the adjustments to comparative information required when an

entity changes an accounting policy or corrects an error.

Structure and content

Introduction

- .53 This Standard requires particular disclosures on the face of the statement of financial position, statement of financial performance and statement of changes in net assets and requires disclosure of other line items either on the face of those statements or in the notes. GRAP 2 sets out requirements for the presentation of a cash flow statement.
- .54 This Standard sometimes uses the term “disclosure” in a broad sense, encompassing items presented on the face of the statement of financial position, statement of financial performance and cash flow statement as well as in the notes. Disclosures are also required by other Standards of GRAP. Unless specified to the contrary elsewhere in this Standard or in another Standard of GRAP, such disclosures are made either on the face of the statement of financial position, statement of financial performance and cash flow statement (whichever is relevant), or in the notes.

Identification of financial statements

- .55 ***The financial statements shall be identified clearly and distinguished from other information in the same published document.***
- .56 Standards of GRAP apply only to financial statements, and not to other information presented in an annual report or other document. Therefore, it is important that users are able to distinguish information that is prepared using Standards of GRAP from other information that may be useful to users but is not the subject of those requirements.
- .57 ***Each component of the financial statements shall be identified clearly. In addition, the following information shall be displayed prominently, and repeated when it is necessary for a proper understanding of the information presented:***
- (a) ***the name of the reporting entity or other means of identification and any change in that information from the preceding reporting date;***
 - (b) ***whether the financial statements cover the individual entity or the economic entity;***
 - (c) ***the reporting date or the period covered by the financial statements, whichever is appropriate to the component of the financial statements;***
 - (d) ***the presentation currency, as defined in the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates (GRAP 4); and***
 - (e) ***the level of rounding used in presenting amounts in the financial***



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statements.

- .58 The requirements in paragraph .57 are normally met by presenting page headings and abbreviated column headings on each page of the financial statements. Judgement is required in determining the best way of presenting such information. For example, when the financial statements are presented electronically, separate pages are not always used; the above items are then presented frequently enough to ensure a proper understanding of the information included in the financial statements.
- .59 Financial statements are often made more understandable by presenting information in thousands or millions of the presentation currency. This is acceptable as long as the level of rounding in presentation is disclosed and material information is not omitted.

Reporting period

- .60 ***Financial statements shall be presented at least annually. When an entity's reporting date changes and the annual financial statements are presented for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:***
- (a) the reason for using a longer or shorter period; and***
 - (b) the fact that comparative amounts for certain statements such as the statement of financial performance, changes in net assets, cash flows and related notes are not entirely comparable.***
- .61 Normally, financial statements are consistently prepared covering a one-year period.

Statement of financial position

Current/non-current distinction

- .62 ***An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its statement financial position in accordance with paragraphs .68 to .78 except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, all assets and liabilities shall be presented broadly in order of their liquidity.***
- .63 ***Whichever method of presentation is adopted, for each asset and liability line item that combines amounts expected to be recovered or settled (a) no more than twelve months after the reporting date; and (b) more than twelve months after the reporting date, an entity shall disclose the amount expected to be recovered or settled after more than twelve months.***
- .64 When an entity supplies goods or services within a clearly identifiable operating

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cycle, separate classification of current and non-current assets and liabilities on the face of the statement of financial position provides useful information by distinguishing the net assets that are continuously circulating as working capital from those used in the entity's long-term operations. It also highlights assets that are expected to be realised within the current operating cycle, and liabilities that are due for settlement within the same period.

- .65 For some entities, such as financial institutions, a presentation of assets and liabilities in increasing or decreasing order of liquidity provides information that is reliable and is more relevant than a current/non-current presentation because the entity does not supply goods or services within a clearly identifiable operating cycle.
- .66 In applying paragraph .62, an entity is permitted to present some of its assets and liabilities using a current/non-current classification and others in order of liquidity when this provides information that is reliable and more relevant. The need for a mixed basis of presentation might arise when an entity has diverse operations.
- .67 Information about the expected dates of realisation of assets and liabilities is useful in assessing the liquidity and solvency of an entity. The Standard of GRAP on *Financial Instruments* (GRAP 104) requires disclosure of the maturity dates of financial assets and financial liabilities. Financial assets include receivables due in the ordinary course of operations and other receivables, and financial liabilities include payables due in the ordinary course of operations and other payables. Information on the expected date of recovery and settlement of non-monetary assets and liabilities such as inventories and provisions is also useful, whether or not assets and liabilities are classified as current and non-current. For example, an entity discloses the amount of inventories that is expected to be recovered more than twelve months after the reporting date.

Current assets

- .68 ***An asset shall be classified as current when it satisfies any of the following criteria:***
 - (a) it is expected to be realised in, or is held for sale or consumption in, the entity's normal operating cycle;***
 - (b) it is held primarily for the purpose of being traded;***
 - (c) it is expected to be realised within twelve months after the reporting date;***
or
 - (d) it is cash or a cash equivalent asset (as defined in GRAP 2) unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.***

All other assets shall be classified as non-current.
- .69 This Standard uses the term "non-current assets" to include tangible, intangible and

financial assets of a long-term nature. It does not prohibit the use of alternative descriptions as long as the meaning is clear.

- .70 The operating cycle of an entity is the time taken to convert inputs or resources into outputs. For instance, governments transfer resources to entities so that they can convert those resources into goods and services, or outputs, to meet the government's desired social, political and economic outcomes. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months. Current assets include assets (such as taxes receivable, user charges receivable, fines and regulatory fees receivable, inventories and accrued investment revenue) that are either realised, consumed or sold, as part of the normal operating cycle even when they are not expected to be realised within twelve months of the reporting date. Current assets also include assets primarily held for the purpose of being traded, for example, some financial assets (GRAP 104 provides guidance on the classification of financial assets) and the current portion of non-current financial assets.

Current liabilities

- .71 ***A liability shall be classified as current when it satisfies any of the following criteria:***

- (a) it is expected to be settled in the entity's normal operating cycle;***
- (b) it is held primarily for the purpose of being traded;***
- (c) it is due to be settled within twelve months after the reporting date; or***
- (d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date (see paragraph .75). Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.***

All other liabilities shall be classified as non-current.

- .72 Some current liabilities, such as government transfers payable and accruals for employee and other operating costs, are part of the working capital used in the normal operating cycle of the entity. Such operating items are classified as current liabilities even if they are due to be settled more than twelve months after the reporting date. The same normal operating cycle applies to the classification of an entity's assets and liabilities. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.
- .73 Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within twelve months after the reporting date or held primarily for the purpose of being traded. Examples are some financial liabilities classified as held for trading (GRAP 104 provides guidance on the classification of financial liabilities), bank overdrafts, and the current portion of non-current financial liabilities,

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dividends or similar distributions payable, income taxes and other non-trade payables. Financial liabilities that provide financing on a long-term basis (i.e. are not part of the working capital used in the entity's normal operating cycle), and are not due for settlement within twelve months after the reporting date, are non-current liabilities, subject to paragraphs .76 and .77.

- .74 An entity classifies its financial liabilities as current when they are due to be settled within twelve months after the reporting date, even if:
- (a) the original term was for a period of longer than twelve months; and
 - (b) an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.
- .75 If an entity expects, and has the discretion, to refinance or roll over an obligation for at least twelve months after the reporting date under an existing loan facility, it classifies the obligation as non-current even if it would otherwise be due within a shorter period. However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example there is no agreement to refinance), the potential to refinance is not considered and the obligation is classified as current.
- .76 When an entity breaches an undertaking or covenant under a long-term loan agreement on or before the reporting date with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the reporting date and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the reporting date, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date.
- .77 However, the liability is classified as non-current if the lender agreed by the reporting date to provide a period of grace ending at least twelve months after the reporting date, within which the entity can rectify a breach and during which the lender cannot demand immediate repayment.
- .78 In respect of loans classified as current liabilities, if the following events occur between the reporting date and the date the financial statements are authorised for issue, those events qualify for disclosure as non-adjusting events in accordance with the Standard of GRAP on *Events After the Reporting Date*:
- (a) refinancing on a long-term basis;
 - (b) rectification of a breach of a long-term loan agreement; and
 - (c) the receipt from the lender of a period of grace to rectify a breach of a long-term loan agreement ending at least twelve months after the reporting date.

Information to be presented on the face of the statement of financial position

.79 *In accordance with paragraph .38, the face of the statement of financial position shall include line items that present the following amounts:*

- (a) property, plant and equipment;*
- (b) investment property;*
- (c) intangible assets;*
- (d) heritage assets;*
- (e) financial assets (excluding amounts shown under (f), (i), (j) and (k));*
- (f) investments accounted for using the equity method;*
- (g) inventories;*
- (h) biological assets that form part of an agricultural activity;*
- (hA) living resources;*
- (i) receivables from non-exchange transactions (taxes and transfers);*
- (j) receivables from exchange transactions;*
- (k) cash and cash equivalents;*
- (l) taxes and transfers payable;*
- (m) payables from exchange transactions;*
- (n) provisions;*
- (o) liabilities and assets for current and deferred tax, where applicable (as defined in the IAS Standard on Income Taxes);*
- (p) financial liabilities (excluding amounts shown under (k), (l) and (m));*
- (q) non-controlling interest, presented within net assets; and*
- (r) net assets (comprising contributed capital and reserves) attributable to owners of the controlling entity.*

.80 *Additional line items (including disaggregating the line items listed in paragraph .79), headings and sub-totals shall be presented on the face of the statement of financial position when such presentation is relevant to an understanding of the entity's financial position.*

.80A When an entity presents sub-totals in accordance with paragraph .80, those sub-totals shall:

- (a) be comprised of line items made up of amounts recognised and measured in accordance with Standards of GRAP;
- (b) be presented and labelled in a manner that makes the line items that constitute the sub-total clear and understandable;
- (c) be consistent from period to period, in accordance with paragraph .33; and
- (d) not be displayed with more prominence than the sub-totals and totals required in Standards of GRAP for the statement of financial position.

.81 *When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its statement of financial position, it shall not classify deferred tax assets (liabilities) as current assets (liabilities).*

.82 This Standard does not prescribe the order or format in which items are to be presented. Paragraph .79 simply provides a list of items that are sufficiently different in nature or function to warrant separate presentation on the face of the statement of financial position. In addition:

- (a) line items are included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position; and
- (b) the descriptions used and the ordering of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity's financial position.

.83 The judgement on whether additional items are separately presented is based on an assessment of:

- (a) the nature and liquidity of assets;
- (b) the function of assets within the entity; and
- (c) the amounts, nature and timing of liabilities.

.84 The use of different measurement bases for different classes of assets suggests that their nature or function differs and, therefore, that they should be presented as separate line items. For example, different classes of property, plant and equipment can be carried at cost or revalued amounts in accordance with the Standard of GRAP on *Property, Plant and Equipment* (GRAP 17).

Information to be presented either on the face of the statement of financial position or in the notes

.85 *An entity shall disclose, either on the face of the statement of financial position or in the notes to the statement of financial position, further sub-*

classifications of the line items presented, classified in a manner appropriate to the entity's operations.

- .86 The detail provided in sub-classifications depends on the requirements of Standards of GRAP and on the size, nature and function of the amounts involved. The factors set out in paragraph .83 also are used to decide the basis of sub-classification. The disclosures vary for each item, for example:
- (a) items of property, plant and equipment are disaggregated into classes in accordance with GRAP 17;
 - (b) receivables are disaggregated into amounts receivable from user charges, taxes and other non-exchange revenues, other members of the economic entity, receivables from related parties, prepayments and other amounts;
 - (c) inventories are sub-classified in accordance with the Standard of GRAP on *Inventories*, into classifications such as merchandise, production supplies, materials, work-in-progress and finished goods;
 - (d) taxes and transfers payable are disaggregated into tax refunds payable, transfers payable, and amounts payable to other members of the economic entity;
 - (e) provisions are disaggregated into provisions for employee benefit costs and any other items; and
 - (f) components of net assets are analysed and disaggregated into contributed capital, accumulated surpluses and deficits and any reserves.
- .87 ***When an entity has no share capital, it shall separately disclose the following for net assets, either on the face of the statement of financial position or in the notes:***
- (a) contributed capital, being the cumulative total at the reporting date of contributions from owners, less distributions to owners;***
 - (b) accumulated surpluses or deficits;***
 - (c) reserves, including a description of the nature and purpose of each reserve within net assets; and***
 - (d) non-controlling interests.***
- .88 Many entities will not have share capital but the entity will be controlled exclusively by another entity. The nature of the government's interest in the net assets of the entity is likely to be a combination of contributed capital and the aggregate of the entity's accumulated surpluses or deficits and reserves – that reflect the net assets attributable to the entity's operations.
- .89 In some cases, there may be a non-controlling interest in the net assets of the entity. For example, at whole-of-government level, the economic entity may include a government business enterprise that has been partly privatised. Accordingly,

there may be private shareholders who have a financial interest in the net assets of the entity.

.90 *When an entity has share capital, in addition to the disclosures in paragraph .87, it shall disclose the following, either on the face of the statement of financial position or in the notes:*

- (a) for each class of share capital:*
 - (i) the number of shares authorised;*
 - (ii) the number of shares issued and fully paid, and issued but not fully paid;*
 - (iii) par value per share, or that the shares have no par value;*
 - (iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the year;*
 - (v) the rights, preferences and restrictions attaching to that class, including restrictions on the distribution of dividends and the repayment of capital;*
 - (vi) shares in the entity held by the entity or by its controlled entities or associates; and*
 - (vii) shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts; and*
- (b) a description of the nature and purpose of each reserve within net assets.*

Statement of financial performance

Surplus or deficit for the period

.91 *If, at the reporting date at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities or, a component of an entity (see the Standard of GRAP on Discontinued Operations), the entity shall disclose the following information:*

- (a) a description of the asset(s), group of assets and liabilities or, component;*
- (b) the carrying values of the assets or, if the disposal involves a group of assets and liabilities or a component of an entity, the carrying amounts of those assets and liabilities;*
- (c) a description of the facts and circumstances of the disposal, including whether any further approvals are required and, the expected sale or transfer date;*
- (d) details of any disposals completed during the year; and*

(e) a description of any circumstances that may have resulted in a decision to dispose of an asset being reversed during the reporting period.

.92 The disclosures in paragraph .91 are only required for those assets or groups of assets and liabilities that are significant to an entity and its operations. Whether an asset or a group of assets and liabilities is significant is a matter of judgement. As examples, an asset or a group of assets and liabilities may be significant to an entity if:

- (a) the assets are used in providing the minimum level of basic services;
- (b) disposing of the asset may affect the entity's credit rating;
- (c) the community has an interest in or will be affected by the disposal of the asset; or
- (d) the asset has a high value in relation to a particular class of asset or group of assets and/or liabilities.

.93 All items of revenue and expense recognised in a period shall be included in surplus or deficit unless a Standard of GRAP requires or permits otherwise.

.94 Normally, all items of revenue and expense recognised in a period are included in surplus or deficit. This includes the effects of changes in accounting estimates. However, circumstances may exist when particular items may be excluded from surplus or deficit for the current period. GRAP 3 deals with two such circumstances: the correction of errors and the effect of changes in accounting policies.

.95 Other Standards of GRAP deal with items that may meet the *Framework for the Preparation and Presentation of Financial Statements*² definitions of revenue or expense but which are usually excluded from surplus or deficit. Examples include revaluation surpluses (see GRAP 17) and particular gains and losses arising on translating financial statements of a foreign operation (see GRAP 4).

Information to be presented on the face of the statement of financial performance

.96 In accordance with paragraph .38, the face of the statement of financial performance shall include line items that present the following amounts for the period:

- (a) revenue;**
- (b) finance costs;**
- (c) share of the surpluses or deficits of associates and joint ventures accounted for using the equity method;**
- (d) tax expense (where applicable);**
- (e) a single amount comprising:**

- (i) the post-tax surplus or deficit of discontinued operations and*
- (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and*

(f) surplus or deficit.

.97 *The following items shall be disclosed on the face of the statement of financial performance as allocations of surplus or deficit for the period:*

(a) surplus or deficit attributable to non-controlling interest; and

(b) surplus or deficit attributable to owners of the controlling entity.

.98 *Additional line items (including disaggregating the line items listed in paragraph .96), headings and sub-totals shall be presented on the face of the statement of financial performance when such presentation is relevant to an understanding of the entity's financial performance.*

.98A When an entity presents sub-totals in accordance with paragraph .98, those sub-totals shall:

- (a) be comprised of line items made up of amounts recognised and measured in accordance with Standards of GRAP;
- (b) be presented and labelled in a manner that makes the line items that constitute the sub-total clear and understandable;
- (c) be consistent from period to period, in accordance with paragraph .33; and
- (d) not be displayed with more prominence than the sub-totals and totals required in Standards of GRAP for the statement of financial performance.

.98B An entity shall present the line items in the statement of financial performance that reconcile any sub-totals presented in accordance with paragraph .98 with the sub-totals or totals required in Standards of GRAP for the statement of financial performance.

.99 Because the effects of an entity's various activities, transactions, and other events differ in terms of their impact on its ability to meet its service delivery obligations, disclosing the components of financial performance assists in an understanding of the financial performance achieved and in making projections of future results. Additional line items are included on the face of the statement of financial performance, and the descriptions used and the ordering of items are amended when this is necessary to explain the elements of performance. Factors to be considered include materiality and the nature and function of the components of revenue and expenses. Revenue and expense items are not offset unless the criteria in paragraph .39 are met.

.100 *An entity shall not present any items of revenue and expense as*



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extraordinary items, either on the face of the statement of financial performance or in the notes.

Information to be presented either on the face of the statement of financial performance or in the notes

- .101 *When items of revenue and expense are material, their nature and amount shall be disclosed separately.***
- .102 Circumstances that would give rise to the separate disclosure of items of revenue and expense include:
- (a) the write-downs of inventories to net realisable value or current replacement cost or property, plant and equipment to recoverable amount or recoverable service amount, as well as the reversals of such write-downs;
 - (b) restructurings of the activities of an entity and the reversals of any provisions for the costs of restructuring;
 - (c) expenditure incurred on assets to repair and maintain them;
 - (d) disposals of items of property, plant and equipment;
 - (e) disposals of investments;
 - (f) discontinued operations;
 - (g) litigation settlements;
 - (h) other reversals of provisions; and
 - (i) the difference between the assets acquired and liabilities assumed and the consideration transferred to an acquiree (if any) in a transfer of functions between entities not under common control.
- .103 *An entity shall present a sub-classification of total revenue, classified in a manner appropriate to the entity's operations.***
- .104 *An entity shall present an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is reliable and more relevant.***
- .105 Entities are encouraged to present the analysis in paragraph .104 on the face of the statement of financial performance.
- .106 Expenses are sub-classified to highlight the costs and cost recoveries of particular programmes, activities or other relevant segments of the reporting entity. This information may be provided in one of two ways.
- .107 The first form of analysis is the nature of expense method. Expenses are aggregated in the statement of financial performance according to their nature (for example depreciation, purchases of materials, transport costs, employee benefits and advertising costs), and are not reallocated among various functions

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within the entity. This method may be simple to apply because no allocations of expenses between functional classifications are necessary. An example of a classification using the nature of expense method is as follows:

Revenue	X
Employee benefit costs	(X)
Depreciation and amortisation expense	(X)
Other expenses	<u>(X)</u>
Surplus	<u>X</u>

- .108 The second form of analysis is the function of expense method and classifies expenses according to the programme or purpose for which they were made. This presentation often provides more relevant information to users than the classification of expenses by nature, but allocating costs to functions may require arbitrary allocations and involves considerable judgement. An example of a classification using the function of expense method is as follows:

Total revenue	X
Expenses:	
Health expenses	(X)
Education expenses	(X)
Other expenses	<u>(X)</u>
Surplus	<u>X</u>

- .109 The expenses associated with the main functions undertaken by the entity are shown separately. In this example, the entity has functions relating to the provision of health and education services. The entity would present expense line items for each of these functions.

- .110 *Entities classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense, and employee benefits expense.***

- .111 The choice between the function of expense method and the nature of expense method depends on historical and regulatory factors and the nature of the entity. Both methods provide an indication of those costs that might vary, directly and indirectly, with the outputs of the entity. Because each method of presentation has its merits for different types of entities, this Standard requires management to select the most relevant and reliable presentation. However, because information on the nature of expenses is useful in predicting future cash flows, additional disclosure is required when the function of expense classification is used.

- .112 *When an entity provides a dividend or similar distribution to its owners, it***

shall disclose, either on the face of the statement of financial performance or in the statement of changes in net assets or in the notes, the amounts of dividends or similar distributions recognised as distributions to owners during the period, and the related amount of dividends per share (where the entity has share capital).

Statement of changes in net assets

.113 *An entity shall present a statement of changes in net assets as required by paragraph .11. The statement of changes in net assets includes the following information:*

- (a) the surplus or deficit for the period;*
- (b) each item of revenue and expenses for the period that, as required by other Standards of GRAP, is recognised directly in net assets, and the total of these items;*
- (c) total revenue and expenses for the period (calculated as the sum of (a) and (b)), showing separately the total amounts attributable to owners of the controlling entity and to non-controlling interest;*
- (d) for each component of net assets, the effects of changes in accounting policies and the corrections of errors recognised in accordance with GRAP 3; and*
- (e) for each component of net assets, the effect of a transfer of functions and a merger in accordance with the Standards of GRAP on Transfer of Functions Between Entities Under Common Control or Mergers.*

.114 *An entity shall also present, either on the face of the statement of changes in net assets or in the notes:*

- (a) the amounts of transactions with owners acting in their capacity as owners, showing separately distributions to owners;*
- (b) the balance of accumulated surpluses or deficits at the beginning of the period and at the reporting date, and the changes during the period; and*
- (c) to the extent that components of net assets are separately disclosed, a reconciliation between the carrying amount of each component of net assets and each reserve at the beginning and the end of the period, separately disclosing each change.*

.115 Changes in an entity's net assets between two reporting dates reflect the increase or decrease in its net assets during the period.

.116 The overall change in net assets represents the total surplus or deficit for the period, other revenues and expenses recognised directly as changes in net assets, together with any contributions by, and distributions to, owners in their capacity as owners.

- .117 Contributions by, and distributions to, owners include transfers between two entities within an economic entity (for example, a transfer from a government, acting in its capacity as owner, to a government department). Contributions by owners, in their capacity as owners, to controlled entities are recognised as a direct adjustment to net assets only where they explicitly give rise to residual interests in the entity in the form of rights to net assets.
- .118 This Standard requires all items of revenue and expense recognised in a period to be included in surplus or deficit for the period unless another Standard of GRAP requires otherwise. Other Standards of GRAP require some items (such as revaluation surpluses and deficits, particular foreign exchange differences) to be recognised directly as changes in net assets. Because it is important to consider all items of revenue and expenses in assessing changes in an entity's financial position between two reporting dates, this Standard requires a statement of changes in net assets that highlights an entity's total revenue and expenses, including those that are recognised directly in net assets.
- .119 GRAP 3 requires retrospective adjustments to effect changes in accounting policies, to the extent practicable, except when the transitional provisions in another Standard of GRAP require otherwise. GRAP 3 also requires that restatements to correct errors are made retrospectively, to the extent practicable. Retrospective adjustments and retrospective restatements are made to the balance of accumulated surpluses or deficits, except when a Standard of GRAP requires retrospective adjustment of another component of net assets. Paragraph .113(d) requires disclosure in the statement of changes in net assets of the total adjustment to each component of net assets resulting, separately, from changes in accounting policies and from corrections of errors. These adjustments are disclosed for each prior period and the beginning of the period.
- .120 The requirements in paragraphs .113 and .114 may be met by using a columnar format that reconciles the opening and closing balances of each element within net assets. An alternative is to present only the items set out in paragraph .113 in the statement of changes in net assets. Under this approach, the items described in paragraph .114 are shown in the notes.

Cash flow statement

- .121 Cash flow information provides users of financial statements with a basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilise those cash flows. GRAP 2 sets out requirements for the presentation of the cash flow statement and related disclosures.

Notes

Structure

.122 The notes shall:

- (a) present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with paragraphs .127 to .134;**
- (b) disclose the information required by Standards of GRAP that is not presented on the face of the statement of financial position, statement of financial performance, statement of changes in net assets, cash flow statement or statement of comparison of budget and actual amounts; and**
- (c) provide additional information that is not presented on the face of the statement of financial position, statement of financial performance, statement of changes in net assets, cash flow statement or statement of comparison of budget and actual amounts, but is relevant to an understanding of any of them.**

.123 Notes shall, as far as practicable, be presented in a systematic manner. In determining a systematic manner, the entity shall consider the effect on the understandability and comparability of its financial statements. Each item on the face of the statement of financial position, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts shall be cross-referenced to any related information in the notes.

.124 Examples of systematic ordering or grouping of the notes include:

- (a) giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position, such as grouping together information about particular operating activities;**
- (b) grouping together information about items measured similarly such as assets measured at fair value; or**
- (c) following the order of the line items in the statement of financial performance and the statement of financial position, such as:**
 - (i) a statement of compliance with Standards of GRAP (see paragraph .18);**
 - (ii) significant accounting policies applied (see paragraph .127);**
 - (iii) supporting information for items presented on the face of the statement of financial position, statement of financial performance, statement of changes in net assets, cash flow statement or statement of comparison of budget and actual amounts in the order in which each line item and each financial**

statement is presented; and

(iv) other disclosures, including:

- (1) contingent liabilities (see GRAP 19) and unrecognised contractual commitments; and
- (2) non-financial disclosures, e.g. the entity's financial risk management objectives and policies (see GRAP 104).

.125 [Deleted].

.126 Notes provide information about the basis of preparation of the financial statements and specific accounting policies may be presented as a separate component of the financial statements.

Disclosure of accounting policies

.127 An entity shall disclose its significant accounting policies comprising:

- (a) the measurement basis (or bases) used in preparing the financial statements;**
- (b) the extent to which the entity has applied any transitional provisions of the Standards of GRAP; and**
- (c) the other accounting policies that are relevant to an understanding of the financial statements.**

.128 It is important for users to be informed of the measurement basis (or bases) used in the financial statements (for example, historical cost, current replacement cost, realisable value, fair value, recoverable amount or recoverable service amount) because the basis on which the financial statements are prepared significantly affects their analysis. When more than one measurement basis is used in the financial statements, for example when particular classes of assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.

.129 In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in the Standards of GRAP. An example is disclosure of whether an entity applies the fair value or cost model to its investment property (see the Standard of GRAP on *Investment Property* (GRAP 16)). Some Standards of GRAP specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, GRAP 17 requires

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disclosure of the measurement bases used for classes of property, plant and equipment.

- .130 [Deleted].
- .131 An accounting policy may be significant because of the nature of the entity's operations even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by the Standards of GRAP, but is selected and applied in accordance with GRAP 3.
- .132 ***An entity shall disclose, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph .135), management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements.***
- .133 In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts of items recognised in the financial statements. For example, management makes judgements in determining:
- (a) whether assets are investment properties;
 - (b) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities;
 - (c) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; and
 - (d) whether the substance of the relationship between the entity and a special purpose entity indicates that the special purpose entity is controlled by the entity.
- .134 Some of the disclosures made in accordance with paragraph .132 are required by other Standards of GRAP. For example, the Standard of GRAP on *Disclosure of Interests in Other Entities* (GRAP 38) requires an entity to disclose the judgements it has made in determining whether it controls another entity. GRAP 16 requires disclosure of the criteria developed by the entity to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, when classification of the property is difficult.

Key sources of estimation uncertainty

- .135 ***An entity shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:***

(a) their nature; and

(b) their carrying amount as at the reporting date.

- .136 Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the reporting date. For example, in the absence of recently observed market prices used to measure the following assets and liabilities, future-oriented estimates are necessary to measure the recoverable amount or recoverable service amount of classes of property, plant and equipment, the effect of technological obsolescence on inventories, provisions subject to the future outcome of litigation in progress, and long-term employee benefit liabilities such as pension obligations. These estimates involve assumptions about such items as the risk adjustment to cash flows or discount rates used, future changes in salaries and future changes in prices affecting other costs.
- .137 The key assumptions and other sources of estimation uncertainty disclosed in accordance with paragraph .135 relate to the estimates that require management's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex, and the potential for a consequential material adjustment to the carrying amounts of assets and liabilities normally increases accordingly.
- .138 The disclosures in paragraph .135 are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the reporting date, they are measured at fair value based on recently observed market prices (their fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the reporting date).
- .139 The disclosures in paragraph .135 are presented in a manner that helps users of financial statements to understand the judgements management makes about the future and about other key sources of estimation uncertainty. The nature and extent of the information provided vary according to the nature of the assumption and other circumstances. Examples of the types of disclosures made are:
- (a) the nature of the assumption or other estimation uncertainty;
 - (b) the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity;
 - (c) the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected; and
 - (d) an explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved.

It is not necessary to disclose budget information or forecasts in making the disclosures in paragraph .135.

- .140 When it is impracticable to disclose the extent of the possible effects of a key assumption or another key source of estimation uncertainty at the reporting date, the entity discloses that it is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the entity discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.
- .141 The disclosures in paragraph .132 of particular judgements management made in the process of applying the entity's accounting policies do not relate to the disclosures of key sources of estimation uncertainty in paragraph .135.
- .142 The disclosure of some of the key assumptions that would otherwise be required in accordance with paragraph .135 is required by other Standards of GRAP. For example, GRAP 19 requires disclosure, in specified circumstances, of major assumptions concerning future events affecting classes of provisions. GRAP 104 requires disclosure of significant assumptions applied in estimating fair values of financial assets and financial liabilities that are carried at fair value. GRAP 17 requires disclosure of significant assumptions applied in estimating fair values of revalued items of property, plant and equipment.

Other disclosures

- .143 ***An entity shall disclose in the notes:***
 - (a) ***the amount of dividends or similar distributions that were proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to owners during the period and, where the entity has share capital, the relevant amount per share; and***
 - (b) ***the amount of any cumulative preference dividends not recognised.***
- .144 ***An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements:***
 - (a) ***the domicile and legal form of the entity, and the jurisdiction within which it operates;***
 - (b) ***a description of the nature of the entity's operations and principal activities;***
 - (c) ***a reference to the relevant legislation governing the entity's operations; and***
 - (d) ***the name of the controlling entity and the ultimate controlling entity of the economic entity (where applicable).***

Transitional provisions

Initial adoption of the Standards of GRAP

- .145** *The transitional provisions to be applied by entities on the initial adoption of this Standard are prescribed in a directive(s). The provisions of this Standard should be read in conjunction with each applicable directive.*

Amendments to Standards of GRAP

- .146** *Paragraphs .109 and .110 were amended by the Improvements to the Standards of GRAP issued on 1 April 2012. An entity shall apply these amendments retrospectively in accordance with GRAP 3.*
- .147** *Paragraphs .11, .44, .46, .49 and .51 were amended and paragraphs .45, .47 and .48 were added by the Improvements to the Standards of GRAP issued on 1 April 2014. An entity shall apply these amendments retrospectively for annual financial periods beginning on or after 1 April 2015. If an entity elects to apply these amendments earlier, it shall disclose this fact.*
- .148** *Paragraph .102(c) was amended by the Amendments to the Standards of GRAP on Investment Property and Property Plant and Equipment (2014) issued on 26 May 2015. An entity shall apply these amendments prospectively in accordance with GRAP 3.*
- .148A** *Paragraphs .11, .38, .79, .80, .96, .98, .123, .124, .127, .129 and .132 were amended, paragraphs .37A, .80A, .98A and .98B were added and paragraphs .125 and .130 were deleted by the Amendments to the Standard of GRAP on Presentation of Financial Statements (2018) issued in April 2019. An entity shall apply these amendments in accordance with GRAP 3. Entities are not required to disclose the information required by paragraphs .30 to .32 of GRAP 3 in relation to these amendments.*

Effective date

Initial adoption of the Standards of GRAP

- .149** *An entity shall apply this Standard for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the Public Finance Management Act, Act No. 1 of 1999, as amended.*

Entities already applying Standards of GRAP

- .150** *An entity shall apply amendments to this Standard for annual financial statements covering periods beginning on or after 1 April 2016. Earlier application is encouraged. If an entity applies these amendments for a period beginning before 1 April 2016, it shall disclose that fact.*



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- .150A** Paragraph .04 was amended by GRAP 35 issued March 2017. An entity shall apply this amendment retrospectively for annual financial periods beginning on or after 1 April 2020. If an entity elects to apply these amendments earlier, it shall disclose this fact.
- .150B** Paragraphs .129 and .134 are amended by the Standard of GRAP on Joint Arrangements and GRAP 38 issued March 2017. An entity shall apply these amendments retrospectively for annual financial periods beginning on or after 1 April 2020. If an entity elects to apply these amendments earlier, it shall disclose this fact.
- .150C** Paragraph .79 was amended by the Standard of GRAP on Living and Non-living Resources issued March 2017. An entity shall apply these amendments retrospectively for annual financial periods beginning on or after 1 April 2020. If an entity elects to apply these amendments earlier, it shall disclose this fact.
- .150D** An entity shall apply amendments to this Standard for annual financial statements covering periods beginning on or after 1 April 2023. Earlier application is encouraged. If an entity applies these amendments for a period beginning before 1 April 2023, it shall disclose that fact.

Withdrawal of the Standard of GRAP on Presentation of Financial Statements (2004)

- .151** This Standard supersedes the Standard of GRAP on *Presentation of Financial Statements* issued in 2004.

Comparison with the International Public Sector Accounting Standard on *Presentation of Financial Statements* (December 2006)

This Standard is drawn primarily from the International Public Sector Accounting Standard on *Presentation of Financial Statements* (IPSAS 1). The main differences between this Standard and IPSAS 1 are as follows:

- This Standard includes amendments made to the IAS Standard on *Presentation of Financial Statements* (IAS 1) by the International Accounting Standards Board (IASB®) as part of its 2010 *Improvements to IFRS Standards* and amendments made to IPSAS 1 as part of the IPSASB's 2010 *Improvements to IPSASs*. It further includes the *Disclosure Initiative (Amendments to IAS 1)* issued by the IASB in December 2014.
- IPSAS 1 describes the residual of total assets after deducting total liabilities as “net assets/equity” whereas this Standard refers to “net assets”.
- Whereas this Standard describes the period of foreseeable future in terms of going concern as 12 months from reporting date, IPSAS 1 refers to the same as 12 months from the approval of the financial statements. This change has been made in accordance with local requirements.
- Paragraphs included in IPSAS 1 have been transferred to the *Framework for the Preparation and Presentation of Financial Statements*² and have been deleted from this Standard, for instance, paragraphs that covered the purpose of financial statements and the responsibility for the preparation and presentation of such statements in IPSAS 1.
- The term “management” has been introduced in this Standard to describe those persons that are charged with the responsibility for planning, directing, controlling and exercising-governance over an entity.
- This Standard requires the separate disclosure of expenditure incurred to repair and maintain assets.
- Transitional provisions to this Standard are dealt with differently than in IPSAS 1.