



Accounting Standards Board

ACCOUNTING STANDARDS BOARD

PREFACE TO THE INTERPRETATIONS OF THE STANDARDS OF GENERALLY RECOGNISED ACCOUNTING PRACTICE



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Preface to the Interpretations of the Standards of GRAP

Objective

1. This Preface is issued by the Accounting Standards Board (the Board). It sets out the objectives, use and authority of Interpretations of Standards of Generally Recognised Accounting Practice (GRAP). This Preface should be read in conjunction with the *Preface to the Standards of GRAP*.

Use and authority of Interpretations of the Standards of GRAP

2. The Board is required, in terms of section 89 of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), to:
 - (a) set Standards of GRAP for the annual financial statements of the institutions listed in section 89(1)(a) of the PFMA; and
 - (b) prepare and publish Directives, Guidelines and Interpretations of the Standards of GRAP.
3. In accordance with section 89(1)(a) of the PFMA, the Board must determine GRAP for:
 - (a) departments (including national, provincial and government components);
 - (b) public entities;
 - (c) trading entities (as defined in the PFMA);
 - (d) constitutional institutions;
 - (e) municipalities, municipal entities and any other entities under the ownership control of a municipality and, boards, commissions, companies, corporations and funds;
 - (f) Parliament and the provincial legislatures.
4. The above are collectively referred to as “entities” in this document and all the Interpretations of the Standards of GRAP, as well as in Standards of GRAP.
5. The Board has approved the application of International Financial Reporting Standards (IFRS[®] Standards) issued by the International Accounting Standards Board[®] for:
 - (a) public entities that meet the criteria outlined in the Directive on *The Selection of an Appropriate Reporting Framework by Public Entities*; and
 - (b) entities under the ownership control of any of these entities.
6. Accordingly, Interpretations of the Standards of GRAP are only applied by those entities that apply the Standards of GRAP.
7. Paragraph 12 of the *Preface to the Standards of GRAP* states that the Board will issue Interpretations of the Standards of GRAP.
8. Any Standard of GRAP should be read in conjunction with all the applicable Interpretations of the Standards of GRAP. Financial statements should be described as



complying with the Standards of GRAP only if they comply with every Standard and every related Interpretation. Interpretations of the Standards of GRAP have the same authority as the Standards of GRAP.

9. Paragraphs 10 to 17 deal with Interpretations of the Standards of GRAP.

Application of Interpretations of the Standards of GRAP

10. Interpretations of the Standards of GRAP set out the consensus on the appropriate treatment of a transaction or event. Standards of GRAP should therefore be read in conjunction with all the Interpretations of the Standards of GRAP.
11. All the paragraphs in the Interpretations of the Standards of GRAP have equal authority. The authority of appendices is dealt with in the preamble to each appendix.

Interpretations of the Standards of GRAP

Background

12. Interpretations of the Standards of GRAP are issued to give authoritative guidance on issues that are likely to receive divergent or inappropriate treatment in the absence of such guidance.

Transitional provisions to Interpretations of the Standards of GRAP

13. Where applicable, transitional provisions that apply to the initial adoption of the Interpretations of the Standards of GRAP, will be included as part of such an Interpretation.

Effective dates of Interpretations of the Standards of GRAP

14. Interpretations of the Standards of GRAP are effective when the Standards of GRAP to which they relate are initially adopted. If a Standard of GRAP is already effective and the Board issues an Interpretation of that Standard, the Board determines the effective date and specifies the date in the Interpretation.

Basis for conclusions to Interpretations of Standards of GRAP

15. A basis for conclusions may be published with an Interpretation of the Standards of GRAP. Any Interpretation of the Standards of GRAP should be read in conjunction with the basis for conclusions (where published). When an Interpretation of the Standards of GRAP is developed by the Board for which there is no international equivalent, the basis for conclusions outlines the Board's significant debates and conclusions. When an Interpretation of the Standards of GRAP is based on an international equivalent, the basis for conclusions explains significant departures that are made from the international equivalent. These deviations will usually be made to meet South African public sector specific needs.

Developing Interpretations of the Standards of GRAP

16. Interpretations of the Standards of GRAP will be developed as follows:



- (a) A proposed Interpretation, if based on an international interpretation, will only be based on a final interpretation issued internationally. Exposure drafts issued internationally will not be considered.
- (b) A proposed Interpretation will be developed and issued as an Exposure Draft for a period determined by the Board.
- (c) The comment received will be considered, and the proposed Interpretation will be changed where appropriate. The Board will then approve and issue the final Interpretation.
- (d) Where applicable, transitional provisions that apply to the initial adoption of such an Interpretation will be developed as part of such an Interpretation.

Withdrawal of Interpretations of the Standards of GRAP

- 17. An Interpretation of the Standards of GRAP will be considered for withdrawal when a Standard of GRAP or other authoritative document is issued by the Board.