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Who should apply Standards of GRAP and the Modified Cash Standard and for how long?

Entities, including departments and government components in the public sector, are required to prepare financial statements using Standards of GRAP. Questions have been raised about the application of the Modified Cash Standard (MCS) by certain entities.

Instruction Note 1 of 2021/22 explains the following:

- The MCS has been issued as a norm and standard in terms of the Public Finance Management Act, and prescribes principles and rules for the recognition, recording, measurement, presentation and disclosure of information in the financial statements.
- National and provincial departments and government components which currently apply the MCS, have been exempted from preparing financial statements using Standards of GRAP for a period of 5 years commencing on 1 April 2021.
- During the period of exemption, the MCS should be applied by departments and government components (that apply MCS).
- National and provincial revenue funds should prepare financial statements using the MCS.

The Instruction Note is effective from 1 April 2021.

The [Instruction Note](#) is available on the Office of the Accountant-General's website.

Should the revised GRAP 104 and GRAP 25 be applied now? (scheduled for publication 8 June 2021)

The ASB revised the Standards on financial instruments and employee benefits. The ASB revised GRAP 104 in 2019 to align it with IFRS 9 on *Financial Instruments* and GRAP 25 in 2021 to align with IPSAS 39 on *Employee Benefits*.

We have received a number of queries about whether the revised versions of GRAP 104 and GRAP 25 are effective and whether they should be applied in preparing the financial statements for 2020/21. The answer is...no...

Standards of GRAP – or any amendments to those Standards - cannot be applied until they are effective. The Minister of Finance approves the effective date of new, or revised, Standards of GRAP.

Financial instruments

The Minister of Finance published a Government Gazette Notice in April 2021 proposing an effective date of 1 April 2024 for the revised GRAP 104. Given the expected timing of the publication of the final Gazette, it is anticipated that the final effective date will be 1 April 2025.

The effect of the proposed effective date being 1 April 2025, is that entities will not be required to adopt the revised GRAP 104 until the 2025/26 reporting period. Once an effective date has been announced by the Minister of Finance, entities may early adopt the revised GRAP 104. However, entities will need to early adopt the Standard in its entirety – piecemeal adoption is not permitted.

Employee benefits

The Minister is yet to publish a Government Gazette with the proposed effective date for the revisions to GRAP 25. The effective date proposed during the public consultation process was 1 April 2023.

The same transitional arrangements for GRAP 104 apply to GRAP 25.

Delayed effective dates allow time to plan for the adoption

Despite the proposed effective dates being a number of years in the future, delayed effective dates were proposed so that entities have sufficient time to prepare for the implementation of the Standards. As all entities have at least some financial instruments, entities will need to think about how to revise their policies, processes, systems and controls to ensure that the information required by the Standard is available. Don't wait until the last minute!

A number of resources have been made available on the ASB's website to assist with the implementation of the Standard. Follow this [link](#).

ASB expresses broad support for new lease proposals, calls for guidance on public sector-specific transactions

The IPSASB issued a proposed IPSAS on *Leases* for comment along with a Request For Information on public sector leasing arrangements.

The proposed IPSAS was substantially aligned with IFRS 16 on *Leases*. There were no specific public sector issues or transactions such as concessionary leases, nominal leases or arrangements to use assets with or without consideration, considered in the proposed IPSAS. The IPSASB requested information on public sector specific arrangements from respondents so that it can assess whether or what guidance is needed in the proposed IPSAS as part of phase 2 of the project.

After consultation with stakeholders locally, the Secretariat of the ASB submitted a comment letter to the IPSASB. There was broad agreement on the alignment of IPSAS with IFRS 16. However, most stakeholders expressed concern about the public sector issues that would seemingly only be addressed as "phase 2" of the project.

In the absence of clear guidance on, for example, concessionary and leases at zero/nominal consideration, inconsistent accounting will continue. Locally, there is no consensus about whether no or low value leases are leases, or whether they are non-exchange transactions related to the use of assets.

The Secretariat will continue to emphasise the importance of issuing a holistic solution for leases with the IPSASB.

Access the ASB's comment letter [here](#).

Join us in welcoming our new Board members

We extend a warm welcome to our new Board who joined us from the beginning of March 2021. Christoph Braxton, who was reappointed for a second term, is our new Chairman.

At a time when there is a need for accountants and other professionals to think differently about the roles they play in their organisations and society more broadly, we welcome the new thinking, new experience and new energy that the board members bring.

New members	Re-appointed members
Willemina de Jager	Christoph Braxton (Chairman)
Andrew van der Burgh	Palesa Moalusi (Deputy Chair)
Dr Peter Masegare	N Themba
Dumisani Dlamini	

For more information about the members, visit our [website](#).

International Public Sector Accountability Index published

The Index, published by IFAC and CIPFA, provides information on the adoption of accrual accounting and different reporting frameworks applied in 165 jurisdictions.

The reporting finds that while 30% of their governments reported on an accrual basis in 2020 (an increase of 6% since 2018), 50% will report on accrual by the end of 2025. Africa, Asia, and Latin America and the Caribbean will lead the projected increase in accrual adoption over the coming five years.

Read more [here](#).



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Accounting Standards Board

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