P O Box 7001
Halfway House
Midrand
1685
Tel. 011 697 0660
Fax. 011 697 0666

www.asb.co.za

Chief Financial Officers

Per email

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Dear Chief Financial Officer

REPORTING FRAMEWORK AND THE STATUS OF IPSAS AND IFRS STANDARDS

The Accounting Standards Board updates Directive 5 on *Determining the GRAP Reporting Framework* each year to include the reporting framework for the upcoming reporting period. The reporting framework applicable to each period is included in an Annexure to the Directive. The Annexure outlines the pronouncements issued by the ASB, the IPSASB and IASB that should either be applied or considered by entities in preparing their financial statements.

There are several IPSAS and IFRS Standards that have been issued recently and questions have been raised about whether they should be considered by entities. IPSAS or IFRS Standards are used to formulate an accounting policy in the absence of a Standard of GRAP dealing with an issue. Any IPSAS or IFRS Standards which the Board believes should be considered by entities in formulating accounting policies are included in the Annexure to Directive 5. The table in the Annexure to this communication explains which IPSAS or IFRS Standards should not be applied with supporting rationale.

It is important to note that pronouncements of other standard-setters can only be used to formulate accounting policies; they are not adopted by entities.

Any queries related to this communication should be submitted to jeaninep@asb.co.za.

Jeanine Poggiolini

Technical Director

Annexure

The table below outlines a list of recently issued IPSAS and IFRS Standards that should **not** be applied by entities, either by directly adopting them or using them to formulate accounting policies.

Title of Standard	**Status**
IPSAS 39 on *Employee Benefits*	GRAP 25 on *Employee Benefits* was revised in 2021 to align it with IPSAS 39. The Minister of Finance is yet to determine an effective date. Once the effective date is known, relevant changes will be made to the reporting framework.
IPSAS 40 on *Public Sector Combinations*	GRAP 105 on *Transfers of Functions Between Entities Under Common Control,* GRAP 106 on *Transfers of Functions Between Entities Not Under Common Control,* and GRAP 107 on *Mergers* deal with "public sector combinations".
IPSAS 41 on *Financial Instruments*	GRAP 104 on *Financial Instruments* was revised in 2021 to align it with IPSAS 39. The Minister of Finance is yet to determine an effective date. Once the effective date is known, relevant changes will be made to the reporting framework.
IPSAS 42 on *Social Benefits*	The Board did not support aspects of both the insurance and general approach in IPSAS 42. The application of the general approach to some schemes locally may not result in the fair presentation of the scheme liabilities. As a result, IPSAS 42 should not be applied. The Board has started a project to develop a Standard of GRAP on social benefits.
IFRS 13 on *Fair Value Measurement*	The IPSASB issued ED 77 on *Measurement* which includes proposed guidance on fair value which is based on IFRS 13. ED 77 also includes guidance on other measurement bases for assets and liabilities in the public sector. As the Standards of GRAP are based on IPSAS, until a Standard of GRAP has been issued, the approach to measuring fair value (or other bases) is unchanged.
IFRS 14 on *Regulatory Deferral Accounts*	The Standard only applies to first-time adopters of IFRS Standards. It is not applicable to entities that apply Standards of GRAP.
IFRS 15 on *Revenue from Contracts with Customers*	The IPSASB issued ED 70 on *Revenue with Performance Obligations.* As the Standards of GRAP are based on IPSAS, until the Standards of GRAP on revenue are revised, the approach to recognising and measuring revenue – both exchange and non-exchange – is unchanged.
IFRS 16 on *Leases*	The IPSASB issued ED 75 on *Leases* which is based on IFRS 16. Until a revised Standard of GRAP is issued, the accounting for leases is unchanged.
IFRS 17 on *Insurance Contracts*	IFRS 17 is only effective from 1 January 2023. The ASB will consult with entities that undertake insurance-like activities about the potential implications of IFRS 17.