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

GENERAL INFORMATION

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

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation and presentation of the financial statements are set out below. These policies were consistently applied for the years presented, unless otherwise stated. The accounting policies described below relate to the material activities of the ASB. As the ASB is a standard-setter, its significant accounting policies relate to revenue recognition, employee related costs and assets.

BASIS OF PREPARATION

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

The financial statements are prepared on an accrual basis using the going-concern principle. Assets and liabilities are measured at historical cost, unless stated otherwise.

BUDGET INFORMATION

The financial statements and the budget are prepared on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period has been included in the Statement of Comparison of Budget and Actual Amounts.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The depreciable amounts of property, plant and equipment are allocated on a systematic basis over their useful lives. Management expects to use the assets for their full useful lives and therefore the residual values are estimated to be negligible. Useful lives and residual values are assessed when there is an indication that there is a change in useful life.

The estimated useful lives of property, plant and equipment are currently as follows:

Item	Average useful life
Furniture and fittings	12-20 years
Office equipment	3-12 years

Impairment losses are determined as the excess of the carrying amount of items of property, plant and equipment over the recoverable service amount and are charged to surplus or deficit.

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure meets the definition and the recognition criteria of an asset. Repairs and maintenance not deemed to enhance the economic benefits or service potential of items of property, plant and equipment are expensed as incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in surplus or deficit in the period.

EMPLOYEE BENEFITS

Employee benefits include monthly salaries, leave entitlements, performance bonuses, and post-retirement benefits.

Leave entitlement

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

Provision is made for long service leave which accrues to employees who have completed ten years of unbroken service and every five years thereafter. The provision is based on the actual leave days granted at the rate of remuneration. Long service leave is forfeited if not used within two years after the grant date.

Performance bonuses

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

Post-retirement employee benefits

The ASB contributes to a retirement annuity fund on behalf of some of its employees and is not exposed to any actuarial or investment risk of the fund. As the contributions made are those of the employees from guaranteed remuneration, the contributions paid are expensed as remuneration.

REVENUE

Transfer from the National Treasury

The transfer from the National Treasury is recognised when it is probable that future economic benefits will flow to the ASB and when the amount can be reliably measured. The ASB determines this to be the transfer the ASB is entitled at the start of the financial year. The transfer is subject to conditions because if the ASB does not utilise the funds for the purposes agreed with the National Treasury, the ASB must return unutilised funds. A liability is recognised for any unutilised funds.

Services received in kind

The ASB recognises services received in kind in the statement of financial performance at the fair value of these services received, when they are significant to the ASB's operations, and to the extent that a fair value can be determined reliably. Where the services are not significant and/or the fair value cannot be determined reliably, the nature and type of services received are disclosed. Services received in kind include shared services with the National Treasury, volunteer project group members and Board members in public service, training provided to the ASB staff, and the hosting of events. While these services are important for the ASB's operations, they are not significant and therefore not recognised.

COMPARATIVE INFORMATION

No reclassification of comparative figures has been made.

LEASE TRANSACTIONS

Rentals payable under operating leases are charged to surplus or deficit on a straight-line basis over the term of the lease.

FINANCIAL INSTRUMENTS

Initial recognition and measurement

Financial instruments are recognised when the ASB becomes a party to the contractual provisions of the relevant instrument, and are initially measured at fair value. Subsequent to initial recognition, these instruments are measured at amortised cost.

Offsetting

Financial assets and financial liabilities have not been offset in the Statement of Financial Position.

Other receivables

Other receivables comprise deposits relating to the provision of electricity and the leasing of the premises. It is likely that these transactions will be settled through the receipt of a cash refund. These receivables are stated at cost.

OTHER INCOME

Other income is recognised when it is probable that future economic benefits will flow to the ASB and when the amount can be measured reliably.

INTEREST INCOME

Interest income is recognised on a time proportionate basis using the effective interest rate method.

PROVISIONS

Provisions are recognised when the ASB has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation. This occurs when a reliable estimate can be made of the obligation. All the provisions of the ASB are short-term in nature and the effect of discounting is immaterial. Provisions are made for outstanding leave entitlements.

FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and/or wasteful expenditure incurred. Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables for recovery.

Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

CRITICAL ACCOUNTING JUDGEMENTS

Aspects where judgement has been exercised that may have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial period are discussed below.

Determination of useful lives for property, plant and equipment

The nature of the ASB's operations results in difficulties in determining the useful lives of items of property, plant and equipment. The asset lives exceed industry norms for similar assets. In re-assessing useful lives, the depreciation charge in the Statement of Financial Performance is adjusted.

Adequacy of the leave pay provision

The leave provision is based on actual days leave due to employees at their rate of remuneration. Remuneration increases take effect annually at the beginning of the financial year. In determining the provision, it is assumed that no leave will be forfeited. The assumption is based on past history.

The provision is based on the actual leave days granted at the rate of remuneration. Unused long service leave cannot be converted into cash, and it is also forfeited if not used by retirement date or when an employee resigns.