



**ANALYSIS AND RESPONSES TO WRITTEN
COMMENT RECEIVED ON
EXPOSURE DRAFT ON AMENDMENTS TO THE
DIRECTIVE ON DETERMINING THE GRAP
REPORTING FRAMEWORK (DIRECTIVE 5)
(ED 208)**



ED 208

RESPONSES TO THE WRITTEN COMMENT RECEIVED ON *EXPOSURE DRAFT ON AMENDMENTS TO THE DIRECTIVE ON DETERMINING THE GRAP REPORTING FRAMEWORK (DIRECTIVE 5) (ED 208)*

The Accounting Standards Board (Board) approved an Exposure Draft requesting stakeholders to comment on *Amendments to the Directive on Determining the GRAP Reporting Framework* (ED 208) in September 2023. A Notice was published in the Government Gazette 50645 on 10 May 2024. The comment period closed on 30 June 2024.

The results of the formal comment process are summarised in this document. The comments have been analysed based on the questions outlined in the Invitation to Comment published by the Board, along with any general comments noted by respondents.

An analysis of the stakeholders that submitted responses is included in the table on the next page.

In addition to the written comment received, the Exposure Draft was discussed with preparers, auditors, technical specialists and other interested parties by way of roundtable and other discussions.

The summary of verbal comment received on ED 208 is included in a separate analysis.

ANALYSIS OF WRITTEN RESPONSES ON ED 208 EXPOSURE DRAFT ON AMENDMENTS TO THE DIRECTIVE ON DETERMINING THE GRAP REPORTING FRAMEWORK (DIRECTIVE 5)

WRITTEN COMMENT RECEIVED ON EXPOSURE DRAFT ON AMENDMENTS TO THE DIRECTIVE ON DETERMINING THE GRAP REPORTING FRAMEWORK (DIRECTIVE 5) (ED 208)

No.	Name/Organisation	Preparers	Users	Auditors	Other interested parties
1.	South African Institute of Chartered Accountants (SAICA)				X
2.	Free State Department of Small Business Development, Tourism and Environmental Affairs (DESTEA)	X			
3.	Free State Provincial Treasury	X			X
4.	Ethekwini Municipality	X			
5.	Free State Department of Public Works and Infrastructure	X			
6.	Road Accident Fund	X			

SUMMARY AND ANALYSIS OF WRITTEN COMMENT RECEIVED ON THE EXPOSURE DRAFT ON AMENDMENTS TO THE DIRECTIVE ON DETERMINING THE GRAP REPORTING FRAMEWORK (DIRECTIVE 5)

ANALYSIS OF WRITTEN RESPONSES ON ED 208 EXPOSURE DRAFT ON AMENDMENTS TO THE DIRECTIVE ON DETERMINING THE GRAP REPORTING FRAMEWORK (DIRECTIVE 5)

NO.	COMMENT	BOARD'S RESPONSE
<p>General matters for comment</p> <p>Comment on the proposed amendments to Directive 5, as contained in this Exposure Draft, would be welcomed. Particularly, comment is sought on whether the proposed amendments clarify the existing principles in Directive 5. The Board will only consider comment on the proposed amendments. Comment on other paragraphs contained in Directive 5 will not be considered through this Exposure Draft.</p> <p>Comment is most helpful if reference is made to a specific paragraph or group of paragraphs containing the proposed amendments.</p>		
<p>Paragraph .03A</p>		
<p>1.1</p>	<p>South African Institute of Chartered Accountants (SAICA)</p>	
	<p>Commentary</p> <p>SAICA agrees with the amendment to add the definitions of a “new Standard of GRAP” and an “amendment to a Standard of GRAP” to Directive 5 as this provides better clarity of the terms and concepts in the Directive. SAICA agrees with the definition of a “new Standard of GRAP”. However, there are instances where amendments to a Standard of GRAP are minor versus amendments that lead to substantial changes to an existing Standard of GRAP, for example the Revised Standard of GRAP 104. In these instances, it may be appropriate to consider differentiating between a minor and significant amendment to a Standard of GRAP and consider the implications thereof.</p> <p>Recommendation</p> <p>The ASB should consider distinguishing between minor and significant amendments to Standards of GRAP and include definitions of both terms in Directive 5. The ASB should further consider the implications of minor and significant changes to paragraph .12A of the proposed Directive 5 which states that “amendments to Standards of GRAP shall not be used to develop accounting policies. Entities are only permitted to adopt the amendments once an effective date has been determined by the Minister of Finance (see paragraphs .09 and .11)”.</p> <p>A possible implication for consideration by the ASB could be that minor amendments approved by the ASB could be implemented only once an effective date has been determined by the Minister of Finance due to their inconsequential nature while significant amendments approved by the ASB could be utilised to develop accounting policies prior to the effective date due to their significant impact on accounting for the affected transactions or events. In addition, no significant changes would be expected on the amendments between the date the amendments are approved by the Board and the</p>	<p>(a) The definition of amendments to Standards of GRAP includes all changes to existing requirements for a transaction or event, whether considered minor or substantial changes. Amendments do not provide guidance on a transaction or event for which there was previously no requirements. A basis for conclusion paragraph was added to explain the Board’s rational (refer to paragraph BC9.).</p> <p>(b) The Minister of Finance is the legislated authority for approving Standards of GRAP for implementation. Therefore, entities should not use requirements not yet approved by the Minister of Finance to amend existing accounting policies that are based on approved requirements. All amendments should be approved by the Minister of Finance regardless of their significance, as the Standards are considered secondary legislation. A basis for conclusion paragraph was added to explain the Board’s rational (refer to paragraph BC9).</p>

ANALYSIS OF WRITTEN RESPONSES ON ED 208 EXPOSURE DRAFT ON AMENDMENTS TO THE DIRECTIVE ON DETERMINING THE GRAP REPORTING FRAMEWORK (DIRECTIVE 5)

NO.	COMMENT	BOARD'S RESPONSE
	effective date as the ASB has the sole mandate of setting standards as per section 89(a) of the Public Finance Management Act, 1999 (PFMA).	
1.2	Free State Department of Small Business Development, Tourism and Environmental Affairs (DESTEA)	
	None	N/A
1.3	Free State Provincial Treasury	
	None	N/A
1.4	eThekwini Municipality	
1.4.1	<p>Commentary</p> <p>Issue 1: The inclusion of the definitions of these terms in the directive will assist the preparers. However, there is a concern that the definitions on their own may result in different interpretations. For example, it may be easy for the preparers to identify standards that provide a significant number of new requirements like GRAP 104 as new standards, whereas in other instances, the preparers may apply different judgments.</p> <p>It is therefore recommended that the new standards are specifically marked as such in Directive 5, to avoid different interpretations of the definitions provided. In making this recommendation, it was noted that the new GRAP 104 in Directive 5 includes the remarks below:</p> <ul style="list-style-type: none"> • GRAP 104 “replacement of 2009 version”. <p>If these remarks are intended to address the above concern, then they are fully supported, and they should be applied consistently. The inclusion of the definitions, together with the separate indication on Directive 5 (whether a standard is “new” or an “amendment”) will avoid any confusion from the perspective of the preparers of financial statements.</p> <p>Recommendation</p> <p>If the above interpretation represents the intention of the board, then it is recommended that further clarification is provided in the proposed amendments to avoid differences in interpretation.</p> <p>If the above interpretation was not intended by the board, then it is recommended that the board considers consequential amendments to paragraph 32 of GRAP 3 so that the definition of “new” is amended to include amendments to standards of GRAP. Although</p>	<p>From the 2025/26 reporting framework onwards, the Appendix to the Directive will explicitly indicate whether an approved but not yet effective Standard is new or an amendment to an existing Standard. This will ensure that entities can distinguish between new and amended GRAP Standards. A basis for conclusion paragraph was added to explain the Board's rational (refer to paragraph BC9.).</p>

ANALYSIS OF WRITTEN RESPONSES ON ED 208 EXPOSURE DRAFT ON AMENDMENTS TO THE DIRECTIVE ON DETERMINING THE GRAP REPORTING FRAMEWORK (DIRECTIVE 5)

NO.	COMMENT	BOARD'S RESPONSE
	some clarification is provided in the FAQ document which suggests that “new” includes “amendments,” it would be better if the definition of “new” is amended in the actual GRAP 3 standard so that it is authoritative.	
1.4.2	<p>Issue 2: Paragraph 32 of GRAP 3 - Accounting policies, changes in accounting estimates and errors, requires an entity to disclose the following information when it has not applied a new Standard of GRAP that has been issued but is not yet effective: (a) This fact; and (b) Known or reasonably estimable information relevant to assessing the possible impact that application of the new Standard will have on the entity’s financial statements in the period of initial application.</p> <p>When this paragraph is read with the proposed definition of terms, it implies that the requirements of paragraph 32 are not applicable to the amendments to standards of GRAP that have been issued but are not yet effective.</p>	Amendments to GRAP 3 will be proposed to clarify that the disclosure in paragraph .32 of GRAP 3 applies to new and amended Standards of GRAP as defined in Directive 5. The proposed amendments will be included in the improvements project for 2026.
1.5	Free State Department of Public Works and Infrastructure	
	None	N/A
1.6	Road Accident Fund	
	<p>Commentary</p> <p>The definitions of a new standard of GRAP and Amendment to a Standard of GRAP are supported. There is however a possible gap for new standards that replace old standards in their entirety (e.g. IFRS4 and IFRS 17).</p> <p>Secondly, where a new Standard of GRAP is awaiting ministerial approval, it may be used to develop accounting policies, but no guidance is given to consequential amendments resulting from the new standard. As currently worded, the entity may develop accounting policies on a new standard awaiting approval, but will not be able to implement the consequential amendments. (e.g. the “definition” of social benefits in GRAP 19 vs ED 205 when it becomes a standard awaiting approval.)</p> <p>Recommendation</p> <p>It is proposed that the Board considers including guidance on whether instances where an entire standard is replaced fall under new standards of GRAP or amendments to standards of GRAP. As accounting guidance would already be available on these transactions, it is recommended that instances where entire standards are replaced fall under amendments to standards of GRAP.</p>	<p>(a) The replacement of an entire Standard meets the definition of an Amendment to a Standard of GRAP. Refer to response in 1.1 above.</p> <p>(b) Application guidance was amended and a footnote to the definitions included in paragraph .03A to clarify that consequential amendments to other Standards of GRAP from new and amended Standards should be treated similarly to the new or amended Standards. Consequential amendments follow the same principles as the new or amended requirements (refer to paragraph AG1.).</p>

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NO.	COMMENT	BOARD'S RESPONSE
	<p>It is further proposed that guidance be added on consequential amendments to other standards arising from new GRAP standards if new GRAP Standards are used to develop accounting policies awaiting ministerial approval. It is recommended that consequential amendments follow the principle of the change that causes the unrelated standard to be amended.</p>	
GRAP Reporting Framework: Paragraph .05A		
2.1	South African Institute of Chartered Accountants (SAICA)	
	<p>Commentary</p> <p>GRAP 3.08 states that “in the absence of a Standard of GRAP that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:</p> <ul style="list-style-type: none"> a) relevant to the economic decision-making needs of users; b) reliable, in that the financial statements: <ul style="list-style-type: none"> (i) represent faithfully the financial position, financial performance and cash flows of the entity; (ii) reflect the economic substance of transactions, other events and conditions, and not merely the legal form; (iii) are neutral, i.e. free from bias; and (iv) are prudent; and c) are complete in all material respects” <p>GRAP 3.11 states that “in making the judgement described in paragraph .08, management may also consider the most recent pronouncements of other standard-setting bodies and accepted public or private sector practices to the extent, but only to the extent, that these do not conflict with the sources in paragraph .10. For example pronouncements of, in descending order, the International Public Sector Accounting Standards Board (including the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities), the International Accounting Standards Board (IASB®) (including the Conceptual Framework for Financial Reporting), the IFRS® Interpretations Committee or the former Standing Interpretations Committee of the IASB, and the Financial Reporting Standards Council.”</p>	<p>Entities are not required to consult the ASB should there be no standard that specifically applies to a transaction or event. GRAP 3 requires management to use its judgement in developing and applying an accounting policy. GRAP 3 is read with Directive 5. If a Standard is excluded from the GRAP Reporting Framework, it cannot be used by entities to develop accounting policies.</p>

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NO.	COMMENT	BOARD'S RESPONSE
	<p><u>Recommendation</u></p> <p>The ASB should consider including in the Directive a paragraph that requires entities to consult with the ASB should there be no standard that specifically applies to the transaction or event. This may assist in ensuring that entities are able to apply GRAP 3.11 while also ensuring that GRAP 3.08 is appropriately applied. This may further assist in ensuring compliance with section 89(4) of the PFMA which states that the standards set by the Board must promote transparency in and effective management of revenue, expenditure, assets and liabilities of the institutions to which these standards apply.</p>	
2.2	Free State Department of Small Business Development, Tourism and Environmental Affairs (DESTEA)	
	None	N/A
2.3	Free State Provincial Treasury	
	None	N/A
2.4	Ethekwini Municipality	
	No comment provided for this particular paragraph.	N/A
2.5	Free State Department of Public Works and Infrastructure	
	None	N/A
2.6	Road Accident Fund	
	<p><u>Commentary</u></p> <p>It has been noted that a prohibition on using pronouncements of other standard setters not included in Directive 5 has been included in the Directive text, making the principle now an authoritative rule.</p> <p>As a result, a conflict has arisen with GRAP 3.</p> <p>GRAP 3 places no restrictions on the pronouncements of other standard setters mentioned in par.11 other than the fact that the pronouncement may only be used to develop accounting policies to the extent that the pronouncement does not conflict with the Conceptual Framework and the Standards of GRAP. It also clearly states that it is management who should use their judgement in developing the accounting policies and consider the pronouncement of other standard setters.</p>	<p>(a) While management is permitted to develop accounting policies based on the pronouncements of other standard-setters in the absence of a Standard of GRAP dealing with a particular transaction or event (after considering other Standards of GRAP and the Conceptual Framework), this is provided they do not conflict with the Conceptual Framework and Standards of GRAP. The Board reviews the status of pronouncements issued by the IPSASB and IASB annually to determine pronouncements that form part of the GRAP Reporting Framework. The Board considers relevant pronouncements suitable for the local environment that meet the requirements of</p>

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NO.	COMMENT	BOARD'S RESPONSE
	<p>The proposed inclusion of par .05A removes this judgement from being exercised by management per GRAP 3 and places it in the hands of the Board. The proposal also defeats the purpose of paragraph.11 of GRAP 3 which empowered management to seek guidance on accounting matters regarding which the Accounting Standards Board has not provided any authoritative guidance.</p> <p>Furthermore, ED 208 does not contain any IPSAS standards that may be used to develop accounting policies. This has therefore completely nullified the ability of management to account for transactions for which no Standard of GRAP exists in accordance with the preferred standard setting body, the IPSASB.</p> <p>There is no requirement in GRAP 3 that the pronouncements of other standard setters must fall within the GRAP Reporting Framework before it may be considered for use to develop accounting policies where no standard of GRAP exists.</p> <p>The proposed amendment either concludes that the proposed GRAP Reporting Framework is exhaustive, adequate and provides sufficient guidance for every entity, regardless of the nature an entity's transactions or it prohibits the use of international guidance where no local guidance exists or has been found to be inappropriate.</p> <p>It is submitted that this paragraph does not clarify an existing principle in Directive 5, but rather introduces a new rule to be followed by entities. Previous iterations of Directive 5 gave no indication that only Standards included in Directive 5 may be used to develop accounting policies.</p> <p><u>Recommendation</u></p> <ol style="list-style-type: none"> 1. It is recommended that the rule contained in proposed par .05A be omitted from the Directive to prevent a conflict in principle between Directive 5 and GRAP 3. 2. Should recommendation 1 not be considered appropriate by the Board, transitional arrangements should be included for entities that have applied pronouncements by other standard setters not included in Directive 5, which up until this point, had not been authoritatively prohibited. 3. Should recommendation 1 not be considered appropriate by the Board, guidance must be included in Directive 5 on which standard should be used to account for Social Benefits where IFRS 4/IFRS17 has been considered and was found to not faithfully represent the nature a social benefit entity. 	<p>GRAP 3 when developing the GRAP Reporting Framework. A basis for conclusion paragraph was added to explain the Board's rational (refer to paragraph BC10.).</p> <p>The Board's approach is based on the assessment of the maturity of the environment and responds to stakeholder requests for specific direction from the Board on the pronouncements that should be applied. The pronouncements included in the Annexures to the Directive are suitable for the local environment and meet the requirements in GRAP 3.</p> <p>Consultations with technical experts in the private sector indicated that similar guidance to GRAP 3 paragraphs .08 to .11 in IAS 8 on <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> is rarely applied, given the potential complexity.</p> <p>(b) Entities that develop accounting policies do so in accordance with the principles in GRAP 3, and any changes to the accounting policies should be done in accordance with the guidance in GRAP 3.</p> <p>(c) Guidance on social benefit transactions will be provided through the ongoing social benefits project. Previous communication to entities noted that they should retain existing accounting policies until the project is finalised.</p>

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NO.	COMMENT	BOARD'S RESPONSE
Hierarchy Paragraph .08		
3.1	South African Institute of Chartered Accountant (SAICA)	
	<p><u>Commentary</u></p> <p>The addition of the words ‘to the extent permitted by this Directive’ may have the negative consequence of being prescriptive to entities and lead to instances where entities are unable to account for specific transactions or events even though GRAP 3.11 would have normally allowed entities to develop accounting policies for those specific transactions or events. In addition, this may lead to the financial statements not meeting the qualitative characteristics of faithful representation and understandability due to the omission of information the entities are unable to include in the financial statements.</p> <p>SAICA has also noted that the list of standard setters included in paragraph .08 of the Directive excludes the IFRS® Interpretations Committee and the former Standing Interpretations Committee of the IASB which are both referred to in paragraph .11 of GRAP 3. This may lead to inconsistencies between the Directive and GRAP 3.</p> <p><u>Recommendation</u></p> <p>The ASB should consider listing the IFRS® Interpretations Committee and the former Standing Interpretations Committee of the IASB in paragraph .08 of the Directive to ensure that there is consistency between GRAP 3 and the Directive.</p>	<p>(a) The principles in GRAP 3 should be read with the GRAP Reporting Framework as set out in Directive 5. The appendices list the relevant pronouncements from other standard setters that may be used by entities to report on transactions or events in the absence of a Standard of GRAP (after considering other Standards of GRAP and the Conceptual Framework). The Board’s approach is based on the assessment of the maturity of the environment and responds to stakeholder requests for specific direction from the Board on the pronouncements that should be applied. The provided pronouncements are suitable for the local environment and meet the requirements in GRAP 3.</p> <p>(b) While the IFRS® Interpretations Committee and the former Standing Interpretations Committee of the IASB develop interpretations, they are issued by the IASB as the standard setter. Therefore, the current list of standard setters is retained.</p>
3.2	Free State Department of Small Business Development, Tourism and Environmental Affairs (DESTEA)	
	None	N/A
3.3	Free State Provincial Treasury	
	None	N/A
3.4	Ethekwini Municipality	
	No comment provided for this particular paragraph.	N/A
3.5	Free State Department of Public Works and Infrastructure	
	None	N/A
3.6	Road Accident Fund	

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NO.	COMMENT	BOARD'S RESPONSE
	No comment provided for this particular paragraph.	N/A
Adoption of Standards of GRAP and Interpretations of the Standards of GRAP		
Paragraphs .09, .10 and .11		
4.1 South African Institute of Chartered Accountant (SAICA)		
	<p><u>Commentary</u></p> <p>SAICA agrees with the amendments made to paragraphs .09 and .10 as these paragraphs clarify that both new and amended Standards of GRAP and Interpretations of the Standards of GRAP form part of the GRAP Reporting Framework. SAICA also agrees with the amendment to paragraph .11 of the Directive as it clarifies that piecemeal adoption of Standards of GRAP is not permitted.</p> <p><u>Recommendation</u></p> <p>None</p>	Noted; no action required.
4.2 Free State Department of Small Business Development, Tourism and Environmental Affairs (DESTEA)		
	None	N/A
4.3 Free State Provincial Treasury		
	None	N/A
4.4 Ethekewini Municipality		
	No comment provided for this particular paragraph.	N/A
4.5 Free State Department of Public Works and Infrastructure		
	None	N/A
4.6 Road Accident Fund		
	No comment provided for this particular paragraph.	N/A
Developing accounting policies		
Paragraphs .11A, .12 and .12A		
5.1 South African Institute of Chartered Accountant (SAICA)		

ANALYSIS OF WRITTEN RESPONSES ON ED 208 EXPOSURE DRAFT ON AMENDMENTS TO THE DIRECTIVE ON DETERMINING THE GRAP REPORTING FRAMEWORK (DIRECTIVE 5)

NO.	COMMENT	BOARD'S RESPONSE
5.1.1	<p><u>Commentary</u></p> <p>SAICA notes the addition of paragraph .11A to the Directive. However, (and comments under part 2 above still standing), this paragraph appears to contradict paragraph .08 of the Directive as it excludes the words 'to the extent permitted by this Directive'.</p> <p><u>Recommendation</u></p> <p>The ASB should consider adding the words 'to the extent permitted by this Directive' to paragraph.11A to ensure consistency within the Directive.</p>	<p>Paragraph .11A was amended by removing "(see GRAP 3 paragraphs .08 to .11)" and replacing it with "(see paragraph .08)". Additionally, paragraph .08 now clarifies that the reference to paragraph .11 pertains to GRAP 3, not to paragraph .11 of Directive 5.</p>
5.1.2	<p><u>Commentary</u></p> <p>In terms of paragraph 8.5 of the ASB Due Process Handbook, the Board assesses whether possible amendments identified should be considered for inclusion in the Improvements to Standards of GRAP based on the following criteria:</p> <p>a) The possible amendment would maintain the quality and enhance the relevance of Standards of GRAP by:</p> <p>i. clarifying unclear wording in existing Standards of GRAP, or providing guidance on an issue where none exists;</p> <p>ii. resolving inconsistencies or conflict between existing requirements in the Standards of GRAP; and/or</p> <p>iii. addressing an oversight or an unintended consequence of the requirements of existing Standards of GRAP.</p> <p>SAICA notes the amendments to paragraph .12 and the addition of paragraph .12A to the Directive. However, it is unclear why amendments to Standards of GRAP cannot be used to develop accounting policies while new Standards of GRAP can be used to develop accounting policies.</p> <p>Based on paragraph 8.5(a)(i) above, amendments to Standards of GRAP serve the purpose of providing clarity to existing Standards of GRAP or providing guidance on an issue where none exists. It can therefore be reasonably expected that amendments should also be used to develop accounting policies prior to the effective date being determined by the Minister of Finance to ensure that the most appropriate and relevant wording and guidance is applied by entities on affected transactions and/or events. This will also encourage proactivity by preparers of financial statements.</p>	<p>The amendments to paragraph .12 and the addition of paragraph .12A were retained. Additionally, a basis for conclusions paragraph was added to the Directive to clarify that the Minister of Finance is the legislated authority for approving Standards of GRAP for implementation. Therefore, entities should not use requirements not yet approved by the Minister of Finance to amend existing accounting policies (refer to paragraph BC9.).</p>

ANALYSIS OF WRITTEN RESPONSES ON ED 208 EXPOSURE DRAFT ON AMENDMENTS TO THE DIRECTIVE ON DETERMINING THE GRAP REPORTING FRAMEWORK (DIRECTIVE 5)

NO.	COMMENT	BOARD'S RESPONSE
	<p><u>Recommendation</u></p> <p>The ASB should consider permitting amendments to Standards of GRAP to be used to develop accounting policies prior to their effective date to ensure that the most relevant guidance is used by entities in preparing financial statements.</p>	
5.2	Free State Department of Small Business Development, Tourism and Environmental Affairs (DESTE A)	
	None	N/A
5.3	Free State Provincial Treasury	
	None	N/A
5.4	Ethekwini Municipality	
	No comment provided for this particular paragraph.	N/A
5.5	Free State Department of Public Works and Infrastructure	
	None	N/A
5.6	Road Accident Fund	
	No comment provided for this particular paragraph.	N/A
<u>Application of pronouncements of other standard-setters</u>		
Paragraphs .16, .19 and .19A		
6.1	South African Institute of Chartered Accountant (SAICA)	
	No comment provided for this particular paragraph.	N/A
6.2	Free State Department of Small Business Development, Tourism and Environmental Affairs (DESTE A)	
	None	N/A
6.3	Free State Provincial Treasury	
	None	N/A
6.4	Ethekwini Municipality	
	No comment provided for this particular paragraph.	N/A

ANALYSIS OF WRITTEN RESPONSES ON ED 208 EXPOSURE DRAFT ON AMENDMENTS TO THE DIRECTIVE ON DETERMINING THE GRAP REPORTING FRAMEWORK (DIRECTIVE 5)

NO.	COMMENT	BOARD'S RESPONSE
6.5	Free State Department of Public Works and Infrastructure	
	None	N/A
6.6	Road Accident Fund	
	<p><u>Commentary</u></p> <p>The existing text of paragraphs .16 to .19 are consistent with GRAP 3. It seems however that these paragraphs have been deleted to enable proposed paragraph .19A to be included.</p> <p>The proposed paragraph .19A places a limit on management's judgement in developing accounting policies where no standard of GRAP exists. GRAP 3 does not indicate that pronouncements of other standard setters may only be used if they are part of the GRAP Reporting Framework. It rather provides guidance on what management should do in instances where no guidance has been provided.</p> <p>Proposed paragraph .19A creates a need for entities to request guidance from the ASB where no appropriate Standard of GRAP exists and other pronouncements from other standard setters are considered not to be part of the GRAP Reporting Framework.</p> <p><u>Recommendation</u></p> <p>It is recommended that paragraphs .16 through .19 should not be deleted in order to keep the principle of GRAP 3 consistent in Directive 5.</p> <p>Paragraph .19A should not be included as there may be classes of transactions for which no guidance exists in the GRAP reporting Framework in Directive 5. As the ASB does not provide opinions or direct guidance on specific entities, Management should be left with a mechanism to develop accounting policies based on principles in pronouncements that have gone through a due process of being issued.</p>	<p>Paragraph .19A is retained, as it aligns with GRAP 3 paragraph .08. GRAP 3 paragraph .08 permits management to exercise judgement in developing and applying accounting policies when no specific Standard of GRAP exists for a transaction or event. The GRAP Reporting Framework provides international pronouncements for management to use in such instances (after considering other Standards of GRAP and the Conceptual Framework). Additionally, a paragraph was added to the basis for conclusions to the Directive to explain the rationale for the Board's decision (refer to paragraph BC10.).</p>
<u>Appendix – Application Guidance</u>		
AG1.		
7.1	Free State Department of Small Business Development, Tourism and Environmental Affairs (DESTE)	
	None	N/A
7.2	Free State Provincial Treasury	

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NO.	COMMENT	BOARD'S RESPONSE
	None	N/A
7.3	Ethekwini Municipality	
	No comment was provided for this particular paragraph.	N/A
7.4	Free State Department of Public Works and Infrastructure	
	None	N/A
7.5	Road Accident Fund	
	<p><u>Commentary</u></p> <p>Overall, the diagram is useful to illustrate the principle of how New Standards of GRAP and Amendments of Standards of GRAP are to be adopted or used to develop accounting policies. The diagram, however, does not provide guidance on consequential amendments to existing Standards of GRAP arising from New Standards of GRAP, nor does it provide guidance on the entire replacement of a Standard. Refer to commentary under paragraph .03A above.</p> <p><u>Recommendation</u></p> <p>The diagram should demonstrate how consequential amendments to existing Standards of GRAP resulting from New Standards of GRAP and entire replacements of Standards of GRAP should be adopted or used to develop accounting policies.</p>	<p>(a) The application guidance was amended and a footnote to the definitions included in paragraph .03A to demonstrate that consequential amendments should be treated similarly to the related new Standards and amendments to existing Standards.</p> <p>(b) The Board considers all changes to existing requirements to meet the definition of "Amendments to Standards of GRAP". Amendments do not provide guidance on a transaction or event for which there was previously no requirements.</p>
<p><u>Basis for conclusions</u></p> <p>BC7</p>		
8.1	Free State Department of Small Business Development, Tourism and Environmental Affairs (DESTEA)	
	None	N/A
8.2	Free State Provincial Treasury	
	None	N/A
8.3	Ethekwini Municipality	
	No comment was provided for this particular paragraph.	N/A
8.4	Free State Department of Public Works and Infrastructure	

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NO.	COMMENT	BOARD'S RESPONSE
	None	N/A
8.5	Road Accident Fund	
	<p><u>Commentary</u></p> <p>The proposed amendments to the Basis for Conclusions have been noted, however, to the extent the proposed amendments relate to matters discussed above, the same commentary should be applied to these proposed amendments.</p>	<p>The concerns raised were addressed as outlined above.</p>