



# **ACCOUNTING STANDARDS BOARD**

## **DIRECTIVE**

### **THE APPLICATION OF THE STANDARDS OF GRAP BY TRADING ENTITIES (DIRECTIVE 9)**



## Directive 9

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## Introduction

This pronouncement is set out in paragraphs 1. to 7. All paragraphs in this pronouncement have equal authority. The status and authority of appendices are dealt with in the preamble to each appendix. This pronouncement should be read in the context of its objective, its basis for conclusions and/or the basis for conclusions of its international equivalent, if applicable, the *Preface to the Standards of GRAP* and the *Framework for the Preparation and Presentation of Financial Statements*<sup>1</sup>.

Standards of GRAP and Interpretations of the Standards of GRAP should also be read in conjunction with any directives issued by the Board prescribing transitional provisions, as well as any regulations issued by the Minister of Finance regarding the effective dates of the Standards, published in the Government Gazette.

Directives should be read in conjunction with the applicable Standards of GRAP and Interpretations of the Standards of GRAP.

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<sup>1</sup> In June 2017, the Board replaced the *Framework for the Preparation and Presentation of Financial Statements* with the *Conceptual Framework for General Purpose Financial Reporting*.



## Objective

1. Historically, trading entities have been required to apply Statements of Generally Accepted Accounting Practice (GAAP) in preparing their financial statements. As trading entities operate on a cost recovery basis and, the users of their financial statements are the same as other public sector entities, the most appropriate reporting framework for these entities is the Standards of GRAP. The purpose of this Directive is therefore to outline the application of the Standards of GRAP by trading entities.

## Scope

2. This Directive shall be applied by trading entities (as defined in the Public Finance Management Act, Act No. 1 of 1999, as amended).

## Application of the Standards of GRAP

3. Trading entities are required to apply Standards of GRAP in preparing their financial statements for periods commencing on or after 1 April 2013. In preparing the financial statements on initial adoption and subsequently, a trading entity shall apply the same reporting framework as public entities, constitutional institutions, municipalities and municipal entities (see the relevant appendices in the Directive on *Determining the GRAP Reporting Framework*).
4. On initial adoption of the Standards of GRAP, the following transitional provisions shall be applied:
  - (a) For those trading entities that previously applied Statements of GAAP in preparing their financial statements, the transitional provisions in the Directive on *Transitional Provisions for Public Entities, Trading Entities, Municipal Entities, Public Technical and Vocational Education and Training Colleges, and Constitutional Institutions* (Directive 2).
  - (b) For those trading entities that previously applied the modified cash basis of accounting in preparing their financial statements, the transitional provisions in the Directive on *Transitional Provisions for Medium and Low Capacity Municipalities and Trading Entities*.
5. Newly established trading entities shall apply the transitional provisions in Directive 2.
6. Trading entities may also apply the Directive on *The Application of Deemed Cost* on the initial adoption of the Standards of GRAP.

## Effective date

7. This Directive shall be applied by trading entities in preparing their financial statements for periods commencing on or after 1 April 2013. Earlier application is permitted.