



# **ACCOUNTING STANDARDS BOARD**

## **PREFACE TO THE STANDARDS OF GENERALLY RECOGNISED ACCOUNTING PRACTICE**

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Accounting Standards Board  
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## Objective

1. This Preface is issued by the Accounting Standards Board (the Board). It sets out the functions of the Board and explains the purpose and applicability of Standards of Generally Recognised Accounting Practice (Standards of GRAP), the use and authority of the Standards, Directives, Guidelines and Interpretations of the Standards of GRAP.
2. The Preface explains which entities apply the Standards of GRAP, and when and how to implement the pronouncements issued by the Board.

## Functions of the Board

3. In accordance with section 89 of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), the functions of the Board are to:
  - (a)(i) set Standards of GRAP for the annual financial statements of institutions listed in paragraph 5;
  - (ii) prepare and publish Directives, Guidelines and Interpretations of the Standards of GRAP set in terms of paragraph (a)(i);
  - (iii) recommend to the Minister of Finance (the Minister) effective dates of implementation of these Standards of GRAP for the different categories of institutions to which these Standards of GRAP apply;
  - (iv) perform any other function incidental to advancing financial reporting in the public sector;
- (b) take into account all relevant factors in setting Standards of GRAP;
- (c) set different Standards of GRAP where necessary for different categories of institutions to which such Standards of GRAP apply; and
- (d) promote accountability, transparency and effective management of revenue, expenditure, assets and liabilities of the institutions to which these Standards of GRAP apply, in setting Standards of GRAP.

## Purpose and applicability of Standards of GRAP

### Purpose of Standards of GRAP

4. Standards of GRAP set out requirements applicable to the preparation and presentation of general purpose financial statements of public sector entities. The objective of general purpose financial statements is to provide information about entities that is useful to users for accountability and decision-making purposes.

### Applicability of Standards of GRAP

5. The PFMA requires the Board to determine GRAP for the following institutions:
  - (a) departments (including national, provincial and government components);
  - (b) public entities;



- (c) trading entities (as defined in the PFMA);
  - (d) constitutional institutions;
  - (e) municipalities, municipal entities or any other entities under the ownership control of a municipality and, boards, commissions, companies, corporations and funds; and
  - (f) Parliament and the provincial legislatures.
6. The above are collectively referred to as “entities” in this document and in the Standards of GRAP, Directives, Guidelines and Interpretations of the Standards of GRAP.
7. The *Conceptual Framework for General Purpose Financial Reporting*<sup>1</sup> includes a broad principle which entities may consider in determining whether they are a public sector entity for which the Standards of GRAP are developed.
8. The Board has approved the application of IFRS<sup>®</sup> Accounting Standards issued by the International Accounting Standards Board (IASB) for:
- (a) public entities that meet the criteria outlined in the Directive on *The Selection of an Appropriate Reporting Framework by Public Entities*; and
  - (b) entities under the ownership control of any of these entities.

## **Pronouncements issued by the Board**

### **Standards of GRAP**

9. Standards of GRAP set out the recognition, measurement, presentation and/or disclosure requirements for financial reporting in the public sector.

### **Interpretations of the Standards of GRAP**

10. The Board issues an Interpretation of the Standards of GRAP to outline its consensus on the appropriate treatment of a transaction or event based on principles in the existing Standards of GRAP. Interpretations of the Standards of GRAP provide authoritative guidance on issues that are likely to receive divergent or inappropriate treatment in the absence of such guidance.

### **Directives**

11. Directives set out transitional provisions for the entities applying Standards of GRAP. However, the Board may issue Directives on other matters.

### **Guidelines**

12. Guidelines explain the application of the principles in the Standards of GRAP to a specific transaction or event. Guidelines do not establish any new principles or any new requirements.

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<sup>1</sup> Paragraph 1.10 of the *Conceptual Framework for General Purpose Financial Reporting* explains the applicability of the Conceptual Framework and Standards of GRAP to public sector entities.



## Frequently Asked Questions

13. Frequently Asked Questions (FAQs) are issued from time to time by the Secretariat to assist preparers. FAQs are not authoritative as they have not been through the due process of the Board.

## Due process

14. The Board follows a comprehensive due process in the development of, and consultation on, its pronouncements. This process is set out in the due process handbook that is approved by the Board.

## Use and authority of pronouncements issued by the Board

15. All pronouncements should be read in the context of the objective stated in the particular pronouncement; this Preface; and the *Framework for the Preparation and Presentation of Financial Statements*<sup>2</sup>.

16. The scope of a particular Standard of GRAP is set out in the applicable Standard itself.

17. All the paragraphs in the pronouncements (except for Guidelines) have equal authority. The authority of appendices is dealt with in the preamble to each appendix.

## Basis for conclusions

18. A basis for conclusions may be published with a pronouncement<sup>3</sup>. Pronouncements should be read in conjunction with the Board's basis for conclusions and/or basis of conclusions in the international equivalent (where applicable). The basis for conclusions outlines the Board's significant debates and conclusions.

19. When a pronouncement is based on an international equivalent, the basis for conclusions explains significant departures that are made from the international equivalent.

## Standards of GRAP and related Interpretations

20. Any Standard of GRAP should be read in conjunction with all the applicable Interpretations of the Standards of GRAP. Financial statements should be described as complying with the Standards of GRAP only if they comply with every Standard and every related Interpretation.

21. 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.

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<sup>2</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*.

<sup>3</sup> Guidelines are not published with a basis for conclusions.



## Directives

22. Directives should be read in conjunction with the applicable Standard(s) of GRAP and Interpretations of the Standards of GRAP.

## Guidelines

23. Guidelines are not authoritative, but they may form part of the GRAP Reporting Framework which entities need to consider in preparing their financial statements for a particular reporting period. The status of each Guideline is outlined in each document, and/or the relevant Directive.

## Implementation of pronouncements issued by the Board

### Transitional provisions

24. The Board facilitates compliance with Standards of GRAP pronouncements through transitional provisions. Where transitional provisions exist, they may allow an entity additional time to meet the full requirements of, or provide relief from, certain requirements when initially applying a Standard.

### Effective dates

#### Standards of GRAP and related Interpretations

25. Standards of GRAP are effective from the date specified in each Standard. The effective date is determined by the Minister of Finance. The effective date is usually set as one year from the beginning of the next reporting period to give entities sufficient time to prepare for the Standard. A longer effective date may be appropriate having considered:

- transitional provisions that provide entities a period of time to comply with the requirements of a Standard; and/or
- other factors, such as the timing of other reforms, the significance of changes that may be required to current accounting policies or systems, etc.

26. Interpretations of the Standards of GRAP are effective when the Standards of GRAP to which they relate are initially adopted. If a Standard is already effective and an Interpretation of that Standard is issued for that Standard, the effective date of the Interpretation is specified in the Interpretation.

### Directives

27. Where Directives prescribe transitional provisions for the Standards of GRAP issued by the Board, the Directives become effective when the applicable Standards of GRAP are approved for implementation by the Minister of Finance, in accordance with:

- (a) legislation governing those entities, or
- (b) the authority provided by another Minister (whichever is relevant).



28. In the case of Directives prescribing other issues, the Board determines the effective dates of those Directives.

### **Guidelines**

29. Guidelines do not have effective dates. The Board may decide to make the application of a Guideline mandatory.

### **Language**

30. Standards of GRAP are translated into isiZulu, Sesotho and Afrikaans in accordance with the ASB's language policy. The approved text is published in the English language.