



ACCOUNTING STANDARDS BOARD

DIRECTIVE 9

THE APPLICATION OF THE STANDARDS OF GRAP BY TRADING ENTITIES

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INTRODUCTION

Standards of Generally Recognised Accounting Practice

The Accounting Standards Board (the Board) is required in terms of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), to determine generally recognised accounting practice referred to as Standards of Generally Recognised Accounting Practice (GRAP).

The Board must determine GRAP for:

- (a) departments (national and provincial);
- (b) public entities;
- (c) trading entities (as defined in the PFMA)
- (d) constitutional institutions;
- (e) municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and
- (f) Parliament and the provincial legislatures.

The above are collectively referred to as “entities”.

The Board has approved the application of Statements of Generally Accepted Accounting Practice (GAAP), as codified by the Accounting Practices Board and issued by the South African Institute of Chartered Accountants, to be GRAP for:

- (a) government business enterprises (as defined in the PFMA);
- (b) any other entity, other than a municipality, whose ordinary shares, potential ordinary shares or debt are publicly tradable on the capital markets; and
- (c) entities under the ownership control of any of these entities.

The Board believes that Statements of GAAP are relevant and applicable to financial statements prepared by all such entities, including those under their ownership control.

Section 89(1)(b) of the PFMA, requires the Board to prepare and publish directives and guidelines concerning the Standards of GRAP as set in paragraph 89(1)(a) of the PFMA. The *Preface to the Standards of GRAP* determines that directives will be used to set transitional provisions and transitional arrangements for the entities required to comply with Standards of GRAP. Directives issued by the Board in terms of section 89(1)(b) of the PFMA therefore have the same authority as the Standards of GRAP.

Directives should be read in conjunction with the relevant Standard(s) of GRAP, as well as the *Preface to the Directives issued by the Accounting Standards Board*.

Objective

1. Historically, trading entities have been required to apply Statements of Generally Accepted Accounting Practice 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 PFMA).

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 Directive 5 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 Directive 2 *Transitional Provisions for Public Entities, Municipal Entities 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 Directive 4 *Transitional Provisions for Medium and Low Capacity Municipalities* (Directive 4).
5. Newly established trading entities shall apply the transitional provisions in Directive 2.
6. Trading entities may also apply Directive 7 *Application of Deemed Cost on the Initial Adoption of the Standards of GRAP* on the initial adoption of the Standards of GRAP.

Effective date

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.