



ACCOUNTING STANDARDS BOARD

PREFACE TO THE INTERPRETATIONS OF THE STANDARDS OF GENERALLY RECOGNISED ACCOUNTING PRACTICE (GRAP)



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Preface to the Interpretations of the Standards of GRAP

Objective

- .01 This Preface is issued by the Accounting Standards Board (the Board). It sets out the objectives, use and authority of Interpretations of the Standards of Generally Recognised Accounting Practice (GRAP). This Preface should be read in conjunction with the *Preface to the Standards of GRAP*.

Use and authority of Interpretations of the Standards of GRAP

- .02 The Board is required, in terms of section 89 of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), to:
- (a) set Standards of GRAP for the annual financial statements of the institutions listed in section 89(1)(a) of the PFMA, and
 - (b) prepare and publish directives and guidelines concerning the Standards of GRAP.
- .03 In accordance with section 89(1)(a) of the PFMA, 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;
 - (f) Parliament and the provincial legislatures.
- .04 The above are collectively referred to as “entities”.
- .05 The Board has approved the application of Statements of Generally Accepted Accounting Practice (GAAP), as codified by the Accounting Practices Board (APB) and issued by the South African Institute of Chartered Accountants (SAICA) to be GRAP for:
- (a) government business enterprises (GBEs)(as defined in the PFMA);
 - (b) any other entity, other than a municipality, whose ordinary shares, potential ordinary shares or debt are publicly traded on the capital markets; and
 - (c) entities under the ownership control of any of these entities.

The release of the Companies Act, 2009 has resulted in a conflict with the Treasury Regulations regarding the appropriate reporting framework for GBEs.



The appropriate reporting framework for GBEs is being researched as some GBEs have ordinary shares or debt that are publicly traded, or are potentially publicly tradable in the capital markets. The decision in this regard and the amendments to the Treasury Regulations will be subject to a due process and will then be aligned.

- .06 Accordingly, Interpretations of the Standards of GRAP are only applied by those entities that are required to apply the Standards of GRAP.
- .07 Paragraph .12 of the *Preface to the Standards of GRAP* states that the Board will issue Interpretations of the Standards of GRAP.
- .08 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 of GRAP and every related Interpretation of the Standards of GRAP. Interpretations of the Standards of GRAP have the same authority as the Standards of GRAP.
- .09 Paragraphs .10 to .17 below deal with Interpretations of the Standards of GRAP.

Application of Interpretations of the Standards of GRAP

- .10 Interpretations of the Standards of GRAP set out the consensus on the appropriate treatment of an accounting issue that entities are required to apply when preparing their financial statements in accordance with the Standards of GRAP. Standards of GRAP should therefore be read in conjunction with all the Interpretations of the Standards of GRAP.
- .11 All the paragraphs in the Interpretations of the Standards of GRAP have equal authority. The authority of appendices is dealt with in the preamble to each appendix.

Interpretations of the Standards of GRAP

Background

- .12 Interpretations of the Standards of GRAP are issued to give authoritative guidance on issues that are likely to receive divergent or unacceptable treatment in the absence of such guidance.

Transitional provisions to Interpretations of the Standards of GRAP

- .13 Where applicable, transitional provisions that apply to the initial adoption of the Interpretations of the Standards of GRAP will be included as part of such an Interpretation.



Effective dates of Interpretations of the Standards of GRAP

- .14 The effective date for Interpretations of the Standards of GRAP for entities that applies Standards of GRAP will be included as part of such an Interpretation.

Basis for conclusions to Interpretations of the Standards of GRAP

- .15 A basis for conclusions will be published to explain the Board's consensus on certain issues or significant departures that are made from the Interpretations of IFRSs. These deviations will usually be made to meet South African public sector specific needs.

Developing Interpretations of the Standards of GRAP

- .16 Interpretations of the Standards of GRAP will be developed as follows:
- (a) A proposed Interpretation, if based on an international interpretation, will only be based on a final interpretation issued internationally. Exposure drafts issued internationally will not be considered.
 - (b) A proposed Interpretation will be developed and issued as an exposure draft for a period determined by the Board.
 - (c) The comment received will be considered, and the proposed Interpretation will be changed where appropriate. The Board will then approve and issue the final Interpretation.
 - (d) Where applicable, transitional provisions that apply to the initial adoption of such an Interpretation will be developed as part of such an Interpretation.

Withdrawal of Interpretations of the Standards of GRAP

- .17 An Interpretation of the Standards of GRAP will be considered for withdrawal when a Standard of GRAP or other authoritative document is issued by the Board.