PREFACE

The Accounting Standards Board (ASB) develops Standards of Generally Recognised Accounting Practice (GRAP). The ASB gives effect to the constitutional requirement that uniform standards should be developed to ensure the achievement of consistent and comparable financial information across all spheres of government.

The adoption of Standards of GRAP by all reporting entities in the public sector in South Africa will improve the quality and comparability of financial information reported and enable those charged with governance to hold entities to account for those resources entrusted to them by citizens, taxpayers and ratepayers.

Changes in this edition

This edition of the handbook incorporates changes made to the handbook since the 2016 edition. These changes include the following pronouncements issued by the ASB as at 1 April 2018.

- The Conceptual Framework for General Purpose Financial Reporting.
- The Standards of GRAP dealing with interest in other entities:
  - *Separate Financial Statements* (GRAP 34);
  - *Consolidated Financial Statements* (GRAP 35);
  - *Investments in Associates and Joint Ventures* (GRAP 36);
  - *Joint Arrangements* (GRAP 37); and
  - *Disclosure of Interests in Other Entities* (GRAP 38).
- The Standard of GRAP on *Living and Non-living Resources* (GRAP 110).
- The Interpretation of the Standards of GRAP on *Recognition and Derecognition of Land* (IGRAP 18).
- The Interpretation of the Standards of GRAP on *Liabilities to Pay Levies* (IGRAP 19).
- The Guideline on *Accounting for Arrangements Undertaken in terms of the National Housing Programme*.
- Amendments to the Standards of GRAP on *Impairment of Non-cash-generating Assets* (GRAP 21) and *Impairment of Cash-generating Assets* (GRAP 26).
- Improvements to the Standards of GRAP 2016.
- Revisions to the Directive on *Transitional Provisions for Revenue Administered by the South African Revenue Service (SARS)* (Directive 6)
- Consequential amendments to the Directives resulting from the issue of new Standards of GRAP.

<u>New pronouncements</u>

The Conceptual Framework for General Purpose Financial Reporting

The Conceptual Framework was issued by the Board in June 2017. It establishes concepts that underpin financial reporting by public sector entities that adopt the accrual basis of accounting. These concepts include those applied in developing the Standards of GRAP applicable to the preparation and presentation of general purpose financial statements; and those applied in the presentation of general purpose financial reports

(GPFRs) which are reported outside the financial statements. GPFRs encompass a more comprehensive scope of financial reporting which comprises the financial statements and information that enhances, complements and supplements the financial statements.

The Conceptual Framework does not establish authoritative requirements for financial reporting nor does it override the existing requirements of the Standards of GRAP. Where there are inconsistencies between the principles in the Conceptual Framework and the Standards of GRAP, the principles in the Standards of GRAP will prevail as the requirements relating to the recognition, measurement and presentation of transactions and other events are authoritative.

Since the Conceptual Framework is not authoritative, it does not have an effective date or transitional provisions. It replaces the existing *Framework for the Preparation and Presentation of Financial Statements* from June 2017.

Standards of GRAP dealing with interest in other entities

The Standards of GRAP dealing with interests in other entities, namely GRAP 34 to GRAP 38 were developed to align the Standards of GRAP with the equivalent International Public Sector Accounting Standards. These Standards, once effective, will replace the Standards of GRAP on *Consolidated and Separate Financial Statements* (GRAP 6), *Investments in Associates* (GRAP 7) and *Interests in Joint Ventures* (GRAP 8).

The effective date is yet to be determined.

Standard of GRAP on *Living and Non-living Resources* (GRAP 110)

GRAP 110 was issued by the Board in April 2017. This Standard prescribes the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.

The effective date is yet to be determined.

Interpretation of the Standards of GRAP on *Recognition and Derecognition of Land* (IGRAP 18)

IGRAP 18 was issued by the Board in August 2017. It outlines principles to enable an entity to assess whether it should initially recognise or derecognise land based on legal title or control in its financial statements. This Interpretation also provides guidance on accounting for land where there is joint control.

IGRAP 18 becomes effective for annual financial statements covering periods beginning on or after 1 April 2019. Earlier application is permitted.

Interpretation of the Standards of GRAP on Liabilities to Pay Levies (IGRAP 19)

IGRAP 19 was issued by the Board in August 2017. This Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets.*

IGRAP 19 becomes effective for annual financial statements covering periods beginning on or after 1 April 2019. Earlier application is permitted.

The Guideline on *Accounting for Arrangements Undertaken in terms of the National Housing Programme*

This Guideline was issued by the Board in March 2017. The Guideline provides high-level guidance for transactions and events that arise out of the national housing programme, that are undertaken by accredited and non-accredited municipalities in accordance with the Housing Act 107 of 1997. The Guideline can be applied, by analogy, any other entities that participate in the national housing programme.

This Guideline becomes mandatory, through the GRAP Reporting Framework, on the later of:

a) 1 April 2019 when IGRAP 18 is effective; or

b) the effective date of the Standard of GRAP on *Accounting by Principals and Agents*.

Amendments to pronouncements

Amendments to the Standards of GRAP on *Impairment of Non-cash-generating Assets* (GRAP 21) and *Impairment of Cash-generating Assets* (GRAP 26)

The amendments to GRAP 21 and GRAP 26 were issued by the Board in November 2016. These amendments address the issues raised previously about difficulties in distinguishing non-cash-generating assets and cash-generating assets.

In GRAP 21, a new section has been introduced that deals with the designation of assets as cash-generating or non-cash-generating. The Standard requires an entity to designate assets as cash or non-cash generating at initial recognition based on an entity's objective of using the asset; and subsequently when there is a change in an entity's expected use of the asset first apply the designation requirements in GRAP 21 and, depending on the outcome of the designation, then either apply GRAP 21 or GRAP 26 to assess and account for any impairment loss.

These amendments should be applied prospectively for reporting periods beginning on or after 1 April 2018. Entities may elect to apply these amendments earlier, but they will need to disclose this fact.

Improvements to the Standards of GRAP

A number of amendments have been made to Standards of GRAP as result of the improvements project undertaken in 2016. The following Standards of GRAP have been amended as a result of the improvements:

- GRAP 12 – *Inventories*
- GRAP 16 – *Investment Property*
- GRAP 17 – *Property, Plant and Equipment*
- GRAP 18 – *Segment Reporting*
- GRAP 21 – *Impairment of Non-cash Generating Assets*
- GRAP 26 – *Impairment of Cash Generating Assets*
- GRAP 27 – *Agriculture*
- GRAP 31 – *Intangible Assets*
- GRAP 103 – *Heritage Assets*
- GRAP 106 – *Transfer of Functions Between Entities Not Under Common Control*
- GRAP 110 – *Living and Non-living Resources*

The Improvements to the Standards of GRAP are applicable for reporting periods commencing on or after 1 April 2018. Earlier application is encouraged. Specific transitional provisions are outlined for each amendment made to each Standard of GRAP.

Revisions to the Directive on *Transitional Provisions for Revenue Administered by the South African Revenue Service (SARS)* (Directive 6)

The revised Directive was issued by the Board in October 2017. The revisions clarify that the Directive applies to a specific set of transactions undertaken by SARS, as well as to those entities whose revenue is collected for them by SARS and rely on SARS for accrual based information. In addition, the term "collect" was replaced with "administer" to better reflect the scope of activities undertaken by SARS, particularly because SARS administers the debtors on behalf of some entities. These revisions have also resulted in a change to the title of the Directive.

The revised Directive supersedes the Directive on *Transitional Provisions for the Revenue Collected by the South African Revenue Service (SARS)* issued by the Board in 2014.

Consequential amendments to the Directives resulting from the issue of new Standards of GRAP

Several amendments are made to the Directives dealing with transitional provisions as a consequence of the issue of the new Standards of GRAP.

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