

# Report on developments at the Accounting Standards Board (South Africa)



Accounting Standards Board





# Outline of report

- About the ASB
- Our Standards
- Situational analysis:
  - Standards issued and differences with IPSASs
  - Adoption of Standards
  - First time adoption issues



# Overview of the ASB

- Develop accounting standards for the South African public sector, which includes:
  - National and provincial departments, agencies, legislatures.
  - Municipalities and their entities.
  - GBEs (apply IFRSs)
- Wholly funded agency of Treasury.



# Our Standards

Our Standards are based on IPSASs (or IFRSs), which are adapted for the following:

- Local circumstances (e.g. legislation).
- Eliminate alternatives.
- Reduce complexity.



## Differences between our Standards and IPSASs

Topic	Difference
Heritage assets	No mandatory recognition, measurement of heritage assets under IPSASs
Employee benefits	Elimination of alternatives. No corridor method, full recognition of actuarial gains and losses in surplus or deficit
Financial instruments	Own standard developed, based on IAS 32, 39 and IFRS 7. Only 2 categories of financial assets, financial guarantees scoped out of Standard, some disclosure encouraged rather than required.
Borrowing costs	Aligned with IAS 23 rather than IPSAS 5
First time adoption of Standards	Developed separate transitional provisions and allowed “deemed cost” on initial adoption.
Segment reporting	Aligned with IFRS 8.

## Adoption of our Standards

Entity	Framework	Date
<i>National and provincial departments</i>	Modified cash	Adoption pending implemented of IFMS
<i>National and provincial agencies</i>	Accrual	Since April 2009 <b>(previously applied local equivalent of IFRSs)</b>
<i>Parliament and provincial legislatures</i>	Accrual	Since 1 April 2010 <b>(previously applied modified cash)</b>
	Legislatures – accrual and modified cash	Varied <b>(previously applied modified cash)</b>
<i>Municipalities and their entities</i>	Accrual	Since 1 July 2008/2009 <b>(full compliance expected for all by 30 June 2012)</b> <b>(previously applied fund accounting)</b>

# First time adoption issues

Mainly related to assets:

- Determining “cost”.
- Compilation of asset registers.
- Understanding level of componentisation required for infrastructure assets.
- Annual review of useful lives, residual values, testing for impairment.

# ■ First time adoption issues

- Application and interpretation of Standards – Establishment of Accounting Forum, Guides issued by the Treasury.
- Cost of compliance – High initially, entities seeing benefit of better information.





# First time adoption issues

- System constraints – Treasury investigating uniform system for local government.
- Capacity and skill – ongoing initiatives, including increasing CA programmes.



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