

30 June 2016

Ms Nobuhle Makuni
The Department of Trade and Industry
File Reference – FRSC Proposed Financial Reporting Pronouncement
Private Bag X84
Pretoria
0001
Email: frsc@thedti.gov.za

Dear Ms Makuni

**SAICA SUBMISSION ON THE FINANCIAL REPORTING STANDARDS
COUNCIL'S (FRSC) PROPOSED FINANCIAL REPORTING PRONOUNCEMENT
(FRP) ON *ACCOUNTING FOR BLACK ECONOMIC EMPOWERMENT (BEE)
TRANSACTIONS UNDER IFRS***

In response to your request for comments on the FRSC's Proposed FRP – *Accounting for Black Economic Empowerment (BEE) Transactions under IFRS*, attached is the comment letter prepared by the South African Institute of Chartered Accountants (SAICA).

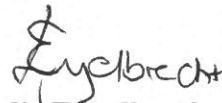
We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours sincerely,



Bongeka Nodada
**Project Director – Financial Reporting
Standards**



Lindie Engelbrecht
**Executive Director:
Members and Global Alliances**



COMMENTS

Overall

The Financial Reporting Standards Council (FRSC) is a body established in terms of the Companies Act No.71 of 2008 (Companies Act) and thus has the mandate to advise the Minister of Trade and Industry on matters relating to financial reporting standards applicable to companies in South Africa. We note that the Proposed FRP X – *Accounting for Black Economic Empowerment (BEE) Transactions under IFRS* refers to ‘entity’ in several paragraphs and we recommend that these references be amended to ‘company’, to make it clear that this FRP X is applicable to companies as envisaged in the Companies Act.

Preface

The last paragraph of the Preface in page 4 states that “*This FRP has the same authority of IFRS and IFRS for SMEs*”. We suggest that this sentence should be revised as follows (words struck through have been deleted and those underlined are to be added):

“*This FRP has the same authority as ~~of~~ IFRS and IFRS for SMEs”.*

References

Given that the title of the Conceptual Framework was amended when it was revised in 2010, we request that point(a) under References in page 5 which refers to the ‘*Framework for the Preparation and Presentation of Financial Statements*’ be amended to ‘*Conceptual Framework for Financial Reporting*’.

We recommend that IAS 8 – *Accounting Policies, Changes in Estimates and Errors* be incorporated in the list of References in page 5 in light of it being referred to in paragraph 27 of the Proposed FRP X – *Accounting for Black Economic Empowerment (BEE) Transactions under IFRS*.

Background

In March 2012, the Accounting Practices Board (APB) and the FRSC issued a joint statement/announcement on the withdrawal of Statements of Generally Accepted Accounting Practice (GAAP) (the announcement can also be found on the SAICA website). In that announcement, the APB and the FRSC stated that Statements of GAAP were withdrawn and would cease to apply in respect of financial years commencing on or after 1 December 2012.

In light of this, we recommend that the second sentence in paragraph 1 be revised as follows (words struck through have been deleted and those underlined are to be added):

“...Following the joint announcement made by the APB and the FRSC during March 2012 to proposed withdrawal of South African Statements of Generally Accepted Accounting Practice (GAAP) in respect of financial years commencing on or after 1 December 2012, in 2012,

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SAICA re- issued this local Interpretation (previously referred to as AC 503) as Financial Reporting Guide 2...”

We are of the view that these revisions would better reflect and clarify the status of Statements of GAAP given the joint decision made by the APB and FRSC.

Effective date

We agree with the proposed transitional provisions.

Basis for Conclusions

Paragraph BC39 of the proposed FRP X includes a reference to Paragraph 35 of the previous Framework. We suggest that be updated to refer to the ‘Conceptual Framework for Financial Reporting’ as issued in 2010.

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