ALIGNMENT OF THE TEXT OF STATEMENTS OF GENERALLY ACCEPTED ACCOUNTING PRACTICE WITH THAT OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Introduction

Statements of Generally Accepted Accounting Practice (GAAP) have been harmonised with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). As a result, there are very few differences between Statements of GAAP and IFRS. However certain differences remain, notably in respect of AC 133 – Financial Instruments: Recognition and Measurement.

The differences that currently exist between Statements of GAAP and IFRS include editorial differences, implementation dates and additional disclosure requirements.

The JSE Securities Exchange’s revised Listing Requirements require listed companies to comply with IFRS for financial periods commencing on or after 1 January 2005. Consequently the Accounting Practices Board took a decision to, in future, issue the text of IFRS in South Africa, without any amendments. Future Statements of GAAP will therefore be the exact replica of the relevant IFRS. To indicate this, every Statement of GAAP will have a dual numbering system to refer to both the IFRS and the Statements of GAAP numbers.

Process to align text

This process to align the text will commence when the revised Statements of GAAP are issued as a result of the IASB’s improvements project, as proposed in ED 155 – Improvements and ED 157 – Proposed Improvements to Financial Instruments: Disclosure and Presentation and Financial Instruments: Recognition and
Measurement. In addition the IASB will issue further revised IFRSs by March 2004 and the relevant Statements of GAAP will accordingly be issued in South Africa.

05 The remaining Statements of GAAP, which will not be revised within the near future, will be re-issued to align the text thereof with the equivalent IFRS. Exposure Draft 167 – Alignment of the text of Statements of GAAP with that of International Financial Reporting Standards serves this purpose.

06 The AC 400-series, Interpretations of Statements of GAAP, is exposed through a similar process. ED 170 - Alignment of the text of Interpretations of Statements of Generally Accepted Accounting Practice with that of Interpretations of International Financial Reporting Standards, proposes changes to those interpretations that will remain in force after standards affected by the improvements project and other revised standards have been issued.

07 The AC 500-series will be utilised for Statements of GAAP and Interpretations of Statements of GAAP to address South African specific matters, not addressed in IFRS.

Compliance with IFRS

08 Where a South African entity issues financial statements for the first time in terms of IFRS, it has to follow the principles in IFRS 1 (AC 138) – First-time adoption of International Financial Reporting Standards.

09 In terms of Section 286(3) of the Companies Act 61 of 1973 (the Act) “the annual financial statements of a company shall, in conformity with generally accepted accounting practice, fairly present the state of affairs of the company and its business as at the end of the financial year concerned and the profit or loss of the company for that financial year and shall for that purpose be in accordance with and include at least the matters prescribed by Schedule 4, in so far as they are applicable, and comply with any other requirements of this Act’”.

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In terms of Paragraph 5 of Schedule 4 of the Act “if it appears to the directors of a company that there are reasons for departing from any of the accounting concepts stated in Statements of Generally Accepted Accounting Practice approved by the Accounting Practices Board, where such appropriate Statements exist, in preparing the company’s financial statements in respect of any accounting period they may do so, but particulars of the departure, the effects and the reasons for it shall be given”.

According to legal opinion obtained by SAICA in September 1999 (as noted in Circular 8/99), “in order for directors to meet the requirements of the Companies Act, the financial statements should be prepared and presented in accordance with GAAP. However, if they materially depart from Statements of GAAP, the financial statements should provide disclosure of the departure, the particulars thereof, the reasons therefore and the effect of such departure on the financial statements.”

Once the text of Statements of GAAP have been aligned with IFRS, in accordance with a decision of the Accounting Practices Board, compliance with IFRS when adopted in terms of IFRS 1 (AC 138) – First-time Adoption of International Financial Reporting Standards is equivalent to compliance with Statements of GAAP in so far as the entity is also in compliance with specific local Statements and Interpretations issued as part of the AC 500-series.

In order to state compliance with the Act, including Schedule 4, an entity may be required to provide additional disclosures in terms of the Act.

**Effective dates**

It should be noted that the original effective dates, applicable to each of the South African Statements of GAAP have not been changed. If an
entity chooses to comply with South African Statements of GAAP and not IFRS, it must use those effective dates, which will be indicated as a footnote in the statement.

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Executive President