Comparison of Standards of Generally Recognised Accounting Practice (GRAP) and International Financial Reporting Standards (IFRS)

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What are Standards of Generally Recognised Accounting Practice?

In South Africa, the Accounting Standards Board (ASB) is required in terms of the Public Finance Management Act 1 of 1999, as amended (PFMA), to determine generally recognised accounting practice referred to as Standards of GRAP.

The ASB determines Standards of GRAP for:
- (a) Departments (including national, provincial and government components)
- (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 provincial legislatures.

The ASB has approved the application of IFRS for:
- (a) Public entities that meet the criteria outlined in the Directive on the Selection of an Appropriate Reporting Framework for Public Entities; and
- (b) Entities under the ownership control of any of these standards.

The GRAP Reporting Framework is based on the hierarchy outlined in paragraph 11 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3). Paragraph 11 states that, in the absence of a Standard of GRAP dealing with a particular transaction or event, the accrual based pronouncements of the following standard setters should be used, in descending order, to develop an appropriate accounting policy:

- a) International Public Sector Accounting Standards Board (IPSASB), including the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.
- b) International Accounting Standards Board (IASB), including the Conceptual Framework for Financial Reporting.
- c) Financial Reporting Standards Council (FRSC).

This should only be done to the extent that the requirements are not in conflict with the Standards of GRAP or the Framework for the Preparation and Presentation of Financial Statements.
When there is no equivalent Standard of GRAP, an International Public Sector Accounting Standard (IPSAS) or IFRS Standard should be used in formulating an accounting policy, unless:

a) that IPSAS or IFRS Standard is in conflict with the current ASB Framework for the Preparation and Presentation of Financial Statements or existing Standards of GRAP; or

b) it is not applicable to entities that currently apply the Standards of GRAP.

Financial statements should be described as complying with Standards of GRAP only if they comply with all the requirements of each applicable Standard and any related Interpretations of the Standards of GRAP.

Standards of GRAP and Interpretations of the Standards of GRAP should be read in conjunction with any directives issued by the Accounting Standards Board prescribing transitional provisions, as well as any regulations issued by the Minister of Finance regarding the effective dates of the Standards, published in the Government Gazette.

What are International Financial Reporting Standards?

The International Accounting Standards Board (IASB) is the independent, accounting standard-setting body of the IFRS Foundation. The IASB has complete responsibility for technical matters, including the preparation and issuing of IFRS Standards. IFRS sets common rules so that financial statements can be consistent, transparent and comparable around the world.

IFRS are mandatory pronouncements and comprise:
(a) IFRS;
(b) IAS; and
(c) Interpretations developed by the IFRS Interpretation Committee (IFRIC) or its predecessor body, the Standing Interpretations Committee (SIC Interpretation)

Standards of GRAP with no IFRS equivalents

- GRAP 21 – Impairment of non-cash generating assets
- GRAP 23 – Revenue from non-exchange transactions
- GRAP 24 – Presentation of Budget Information in Financial Statements
- GRAP 103 – Heritage Assets
- GRAP 105 – Transfer of functions between Entities Under Common Control
- GRAP 106 – Transfer of functions between Entities Not Under Common Control
- GRAP 107 – Mergers
- GRAP 108 – Statutory Receivables
- GRAP 109 – Accounting by Principals and Agents
### Standards of GRAP with IFRS equivalents

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References:
1. Accounting Standards Board website
2. International Accounting Standards Board website