

Strengthening PFMA implementation through effective application of accounting standards

25 February 2026

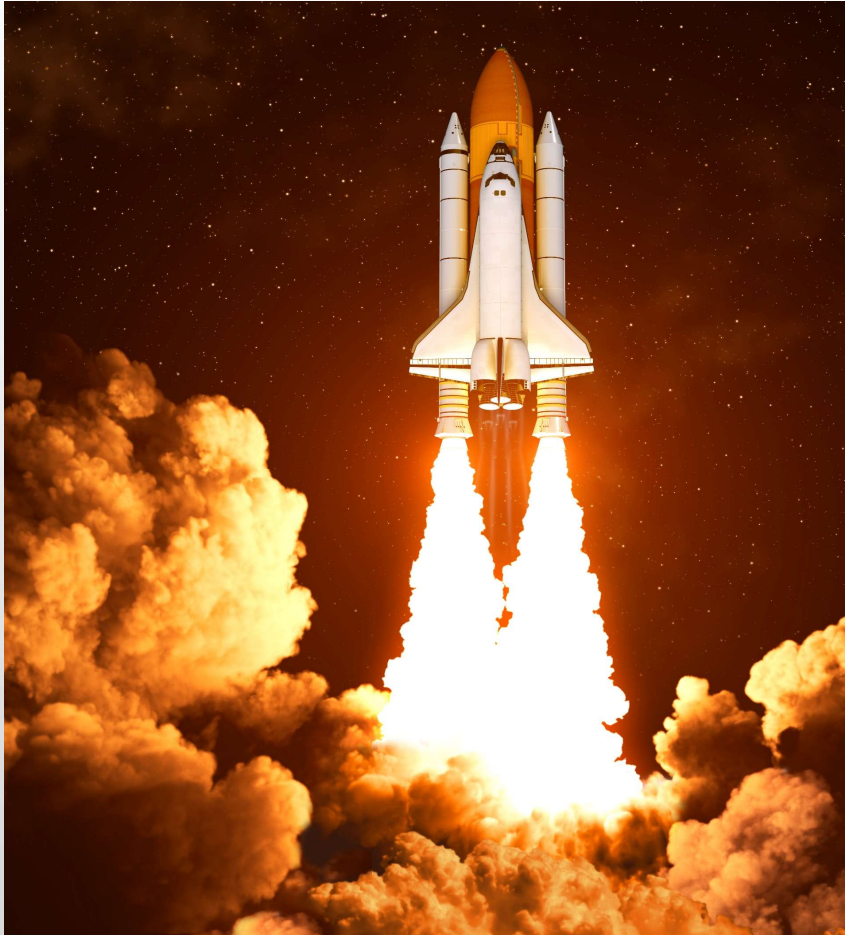




Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.

Agenda

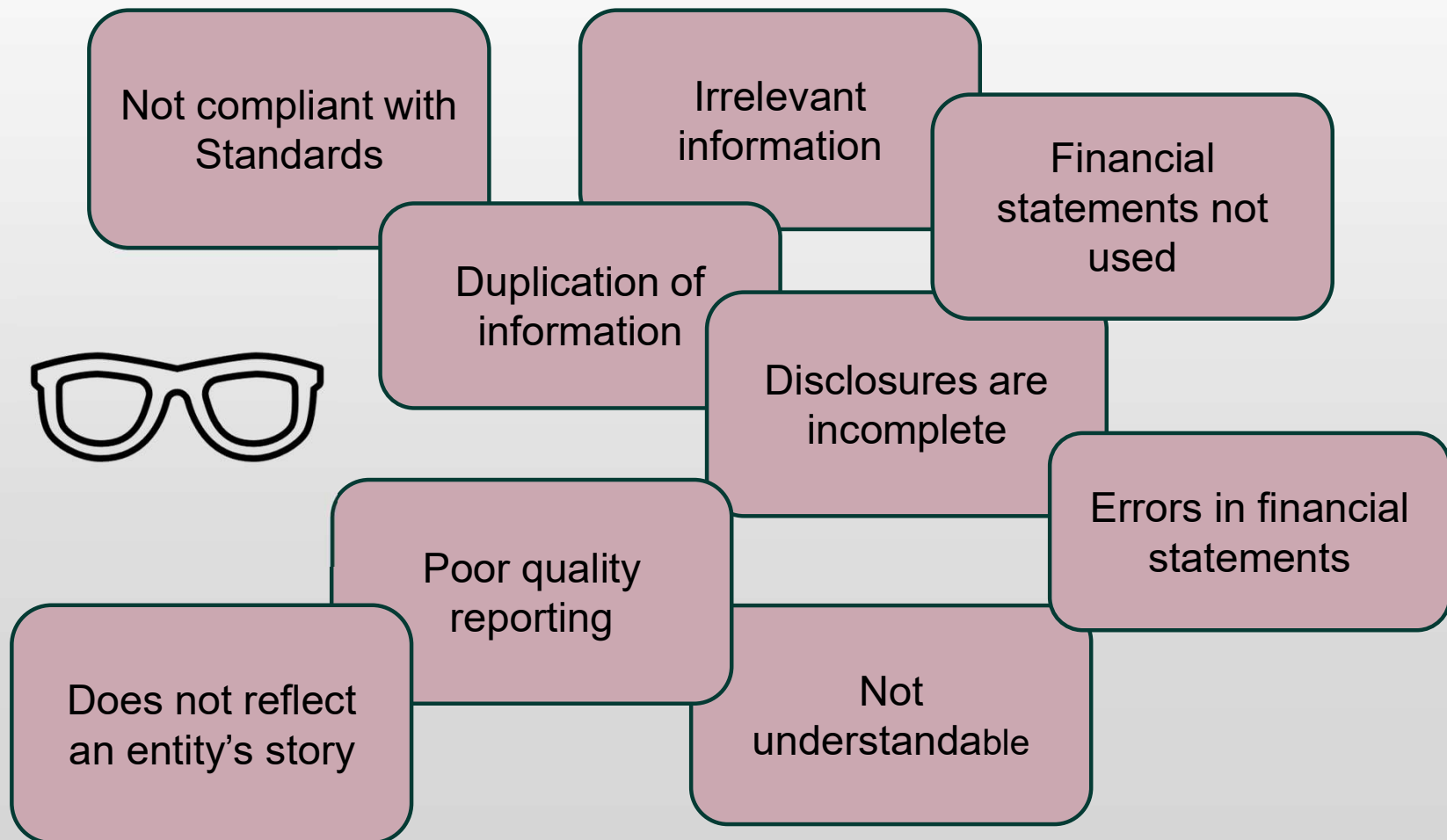


- Key message #1
What do we need to do to improve financial reporting?
- Key message #2
What is new?

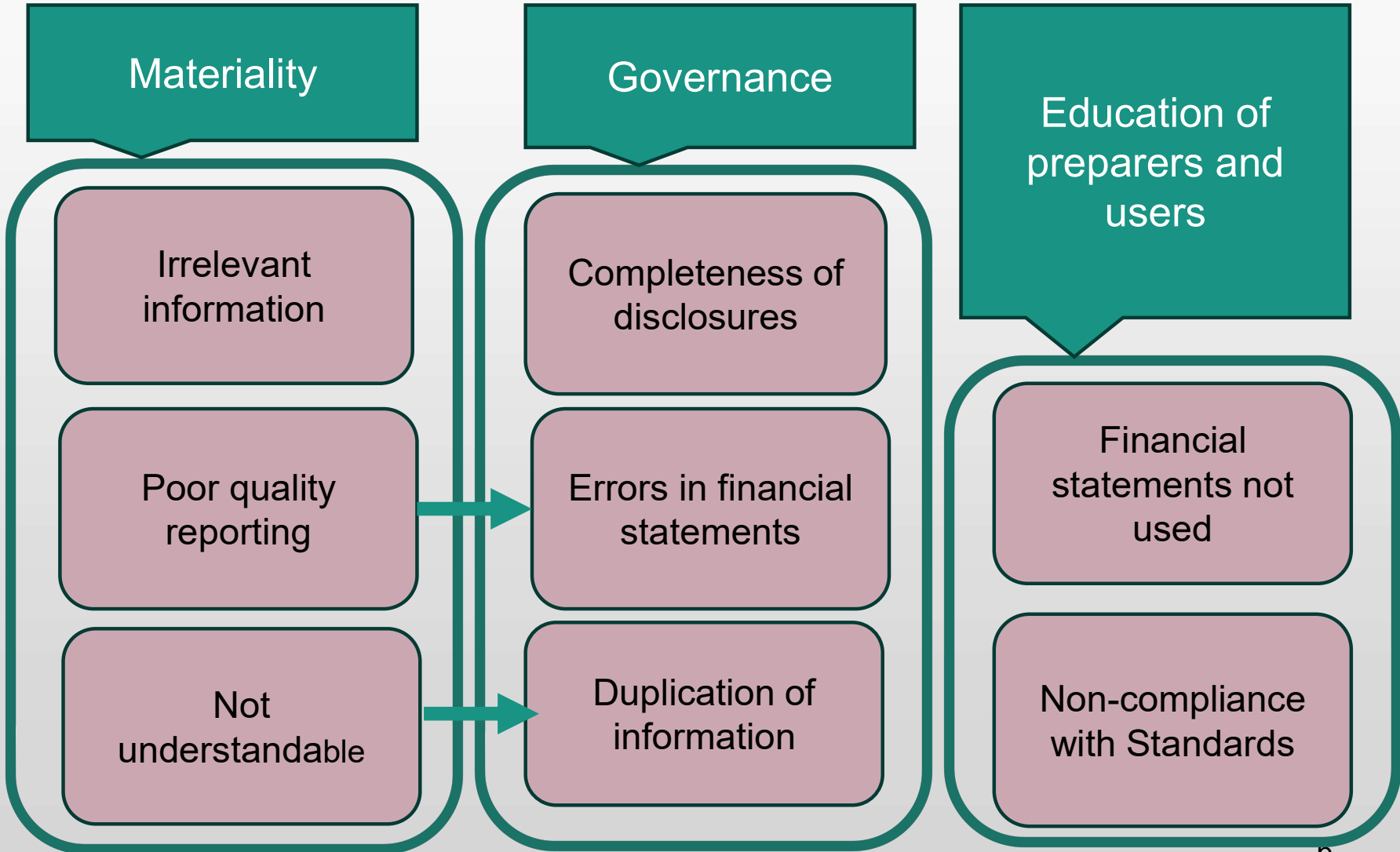
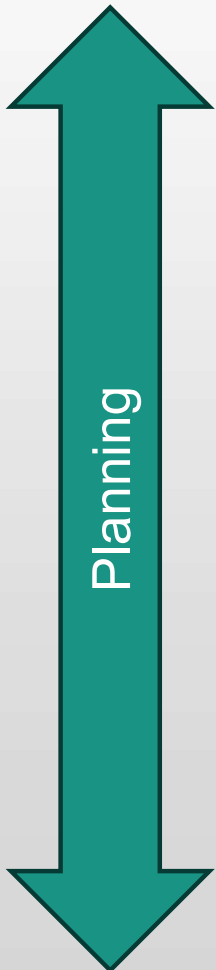
Key message #1
***What do we need to do to improve
financial reporting***



How is our reporting?



Why is our reporting like this?





What can we do?

- Strengthen our system of public financial management by capacitating and supporting the role players in the PFM ecosystem.
- Improve planning.
- Apply materiality.





Governance



Preparers



Oversight



Internal
Auditors

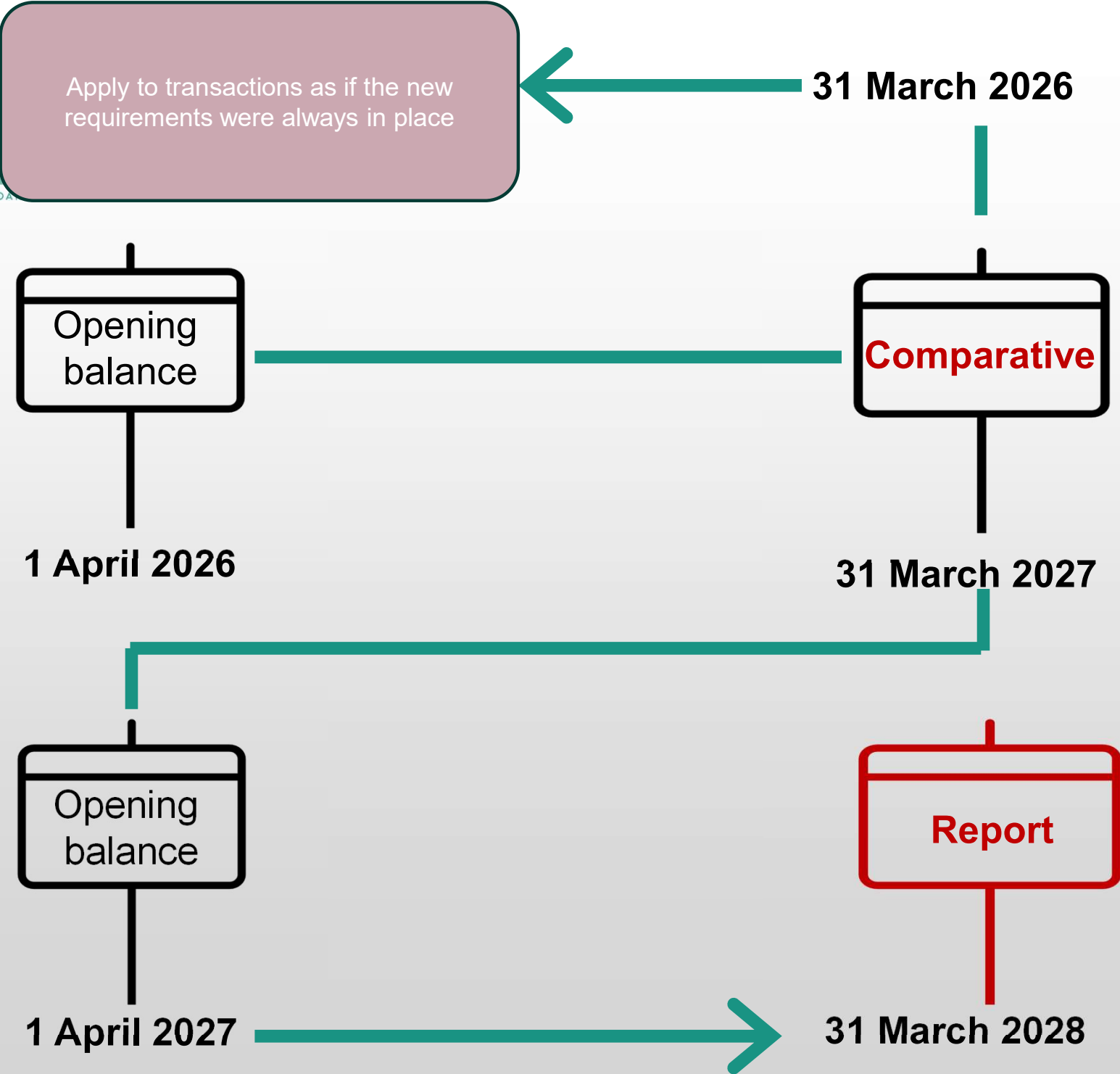


Public financial management



External
Auditors

Planning



Materiality

3

Who are the users and what information do they need?

Identify users

Identify the information that users need

When does information, individually or collectively, affect the assessment of accountability and users' decisions?

Assess information based on nature and size

Develop qualitative considerations and quantitative thresholds

How is materiality applied in preparing the financial statements?

Developing accounting policies

Deciding what information to disclose

Deciding how to present information

Assessing omissions, misstatements and errors



Materiality

3

Start here



Follow materiality methodology

1 April



Adjust materiality

31 March

Users use financial statements

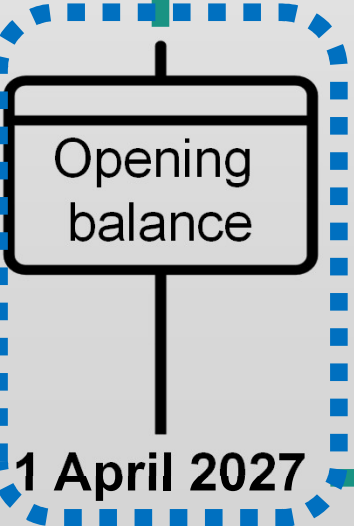
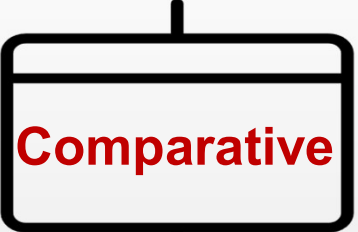
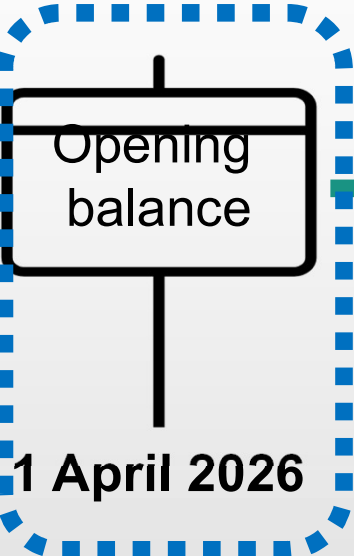
- #1 Management develop policies.
- #2 Internal audit can review.
- #3 Audit Committee reviews + recommends to governance.
- #4 Board/Council/AO approves.

Involve external auditors in process

Planning

Apply to transactions as if the new requirements were always in place

31 March 2026



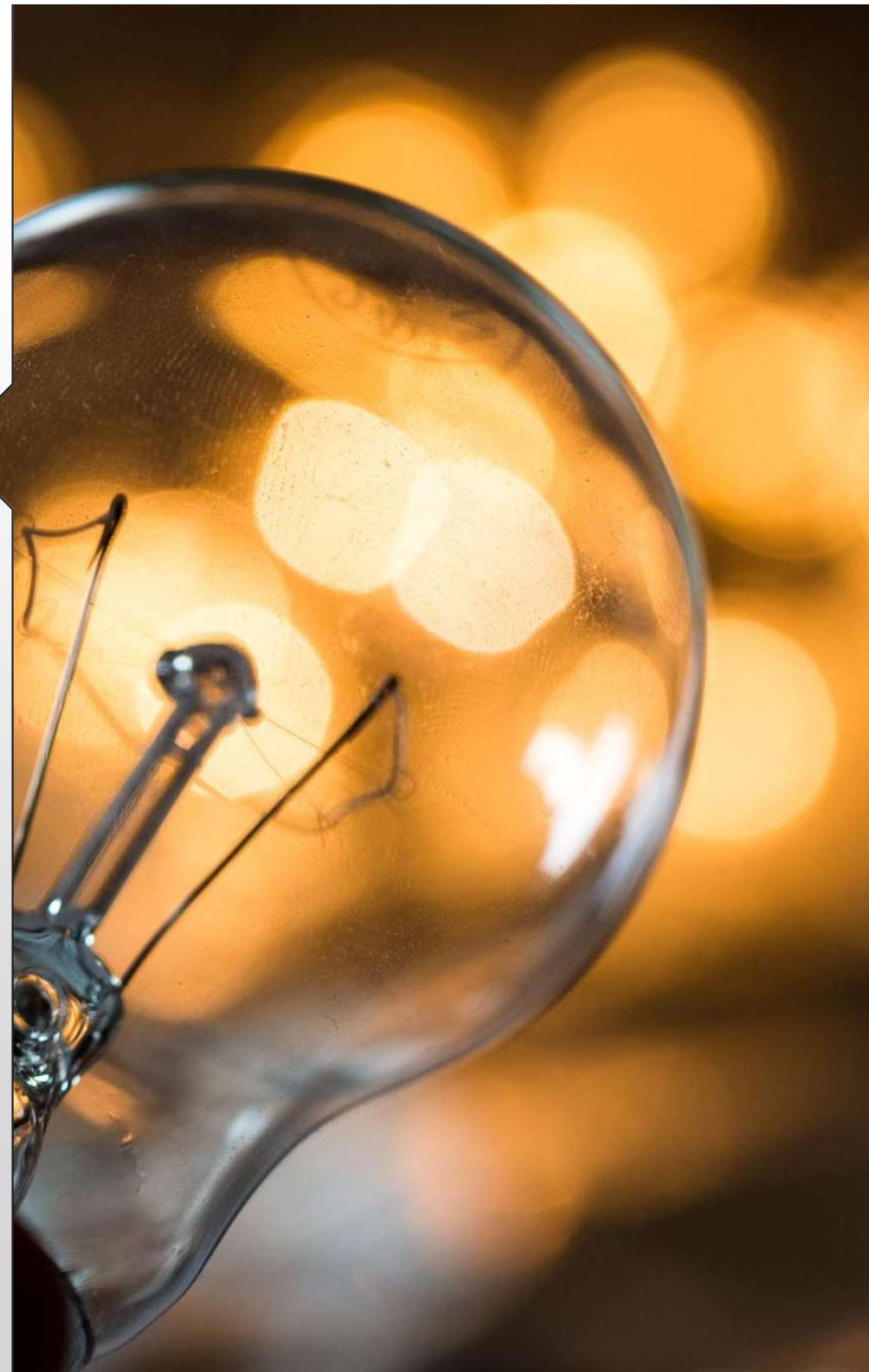
***Key message #2
What has changed?***





Key changes

- GRAP reporting landscape – 2025/26 and beyond
- Implementing Financial Instruments (revised 2019)
- Recently issued guidance and ASB projects
- Education material for preparers of financial statements



GRAP reporting landscape – 2025/26 and beyond



New and revised Standards of GRAP

Effective 1 April 2025

GRAP 22 on
*Foreign Currency
Transactions and
Advance
Consideration*

GRAP 104 on
*Financial
Instruments (2019)*

Effective 1 April 2027

GRAP 1 on
*Presentation of
Financial
Statements
(going concern)*

- GRAP 103 on
*Heritage
Assets*
- Amendments
to GRAP 105,
GRAP 106 and
GRAP 107 on
*Transfer of
Functions and
Mergers)*

Effective date to be determined

*Improvements to
Standards of
GRAP, 2023*

*May not be
early adopted*

*No new/amended Standards become
effective in the 2026/27 reporting period*

New and revised Standards of GRAP

Reporting period 2025/26

IGRAP 22 on *Foreign Currency Transactions and Advance Consideration*

GRAP 104 on *Financial Instruments (2019)*

IGRAP developed from IFRIC 22 on *Foreign Currency Transactions and Advance Consideration*

Replaces GRAP 104 (2009)

New and revised Standards of GRAP

GRAP 1 on *Presentation of Financial Statements* (going concern)

Amendments clarify:

- Cannot prepare financial statements on going concern basis following passing of legislation / decision by appropriate authority
 - Cease operations in entirety or
 - No realistic alternative but to do so
- Going concern remains appropriate when some or all of functions are transferred
 - Consider GRAP 105, GRAP 106 or GRAP 107
 - Presentation and disclosure – GRAP 100

Additional disclosures when one or more uncertainties exist that may cast doubt on ability to continue as going concern

GRAP 1 Fact Sheets

[GRAP-1-Fact-sheet-2-Preparing-AFS-on-a-basis-
other-than-going-concern.pdf](#)

[GRAP-1-Fact-sheet-1-Assessing-going-
concern.pdf](#)

New and revised Standards of GRAP

GRAP 103 on *Heritage Assets*

Amendments relating to:

- Definition of a heritage asset – better aligned with legislative description
- Classification of dual-purpose heritage assets
- Determining a reliable value for a heritage asset
- Re-assessing if reliable value becomes available subsequently
- Reconsider encouraged disclosures



New and revised Standards of GRAP

GRAP 105, GRAP 106 and GRAP 107 on *Transfer of Functions and Mergers*

- Consider guidance from IPSAS 40 on *Public Sector Combinations* and revisions to IFRS 3 on *Business Combinations*
- **Amendments relating to:**
 - Optional test to assess whether transferred set of activities, assets/ liabilities is not a function
 - Guidance to assess if transferred set of activities, assets/liabilities that does not have outputs is substantive
 - Consistency between the 3 GRAP Standards
- **Board agreed to:**
 - Retain 3 separate GRAP Standards
 - No amendment to treatment of “goodwill” – surplus/deficit
 - Retain measurement period of 2 years

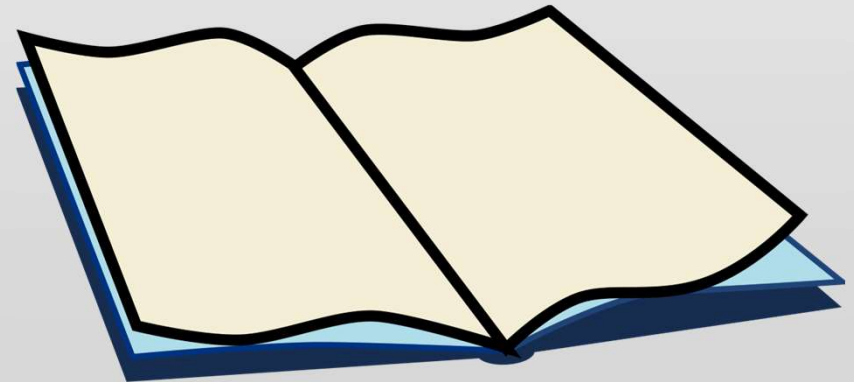
New and revised Standards of GRAP

Effective date to be determined by Minister of Finance:

*May not be
early adopted*

Improvements to Standards of GRAP (2023)

- Minor amendments aligned with international standards as well as addressing local stakeholder needs





Use of international Standards 2025/26

Do not use IFRS Accounting Standards if GRAP already applied + do not use to develop accounting policies, unless specifically included in Directive 5

IFRS that **cannot** be applied:

- IFRS 13 *Fair Value Measurement*
- IFRS 14 *Regulatory Deferral Accounts*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*
- IFRS 18 *Presentation and Disclosure in Financial Statements*
- IFRS 19 *Subsidiaries Without Public Accountability Disclosures*



Use of international Standards 2025/26

Do not use IPSAS to develop accounting policies, unless specifically included in Directive 5

IPSAS that **cannot** be applied:

- IPSAS 40 *Public Sector Combinations*
- IPSAS 42 *Social Benefits*
- IPSAS 43 *Leases*
- IPSAS 44 *Non-current Assets Held for Sale and Discontinued Operations*
- IPSAS 45 *Property, Plant and Equipment*



Use of international Standards 2025/26

Do not use IPSAS to develop accounting policies, unless specifically included in Directive 5

IPSAS that **cannot** be applied (continued):

- IPSAS 46 *Measurement*
- IPSAS 47 *Revenue*
- IPSAS 48 *Transfer Expenses*
- IPSAS 49 *Retirement Benefit Plans*
- *IPSAS 50 Exploration for and Evaluation of Mineral Resources*
- *IPSAS 51 Tangible Natural Resources Held for Conservation*

GRAP 104 Financial Instruments (revised 2019)



Implementing Financial Instruments

Effective from 1 April 2025



Key changes



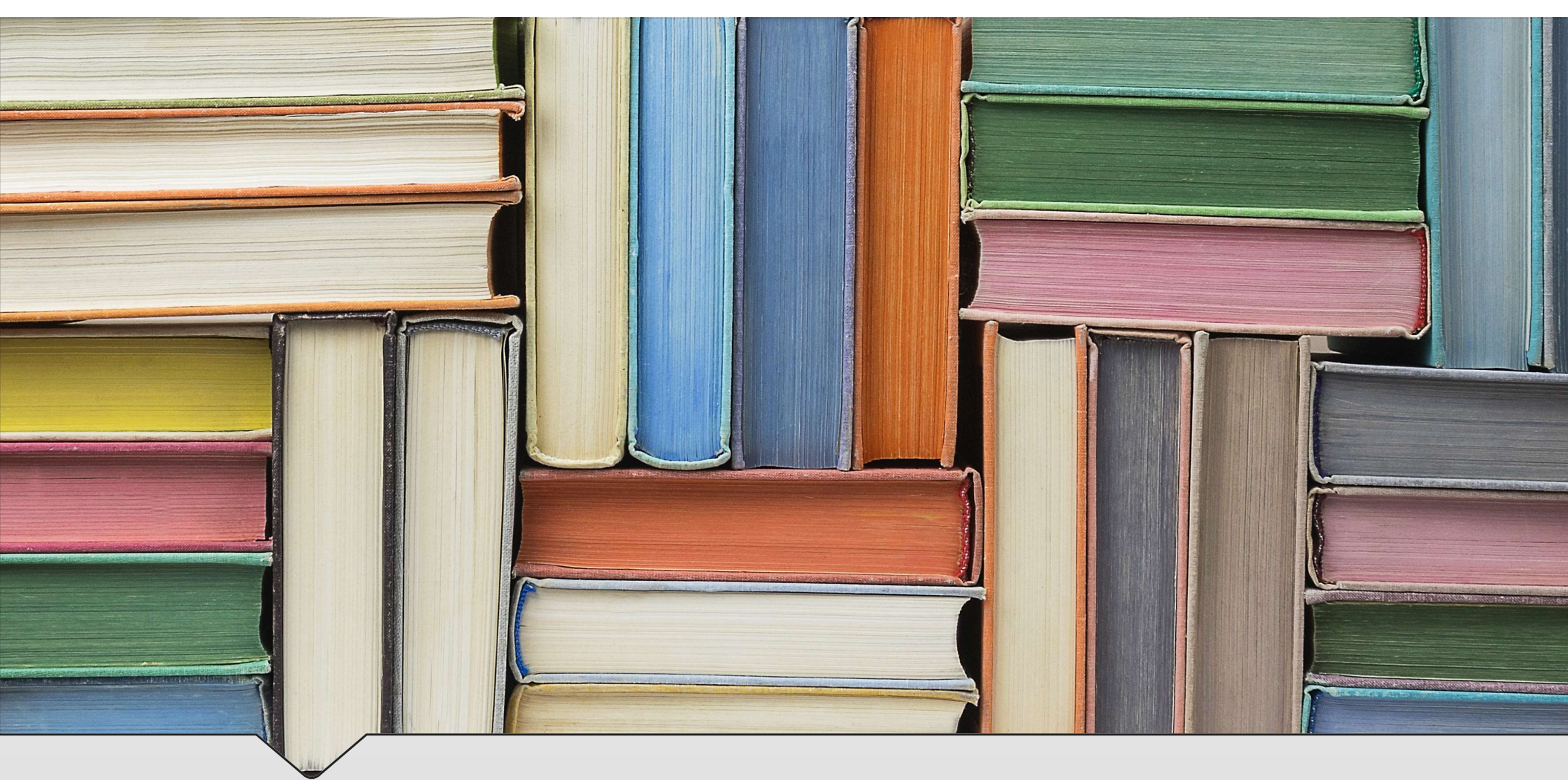
Transitional provisions

NB: Additional disclosures in year of adoption!

Key changes



- 🔍 **Scope** - financial guarantee contracts and some loan commitments now in scope. Previously GRAP 19.
- 📊 **Classification** - same number of categories, classification principles substantially changed.
- ✂️ **Subsequent measurement** – impairment model changed from incurred loss model to ECL



Resources on GRAP 104

Resources



○ [Supporting Adoption of Standards – GRAP 104](#)

- Standard and transitional provisions
- Fact Sheets
- FAQs
- Presentations
- Placemat
- Flow Chart

Recently issued guidance and ASB projects



ACCOUNTING STANDARDS BOARD

Recently issued guidance

Non- authoritative guidance



- Guidance: [Use of Consultants](#)
- Fact Sheets: [GRAP 104 Financial Instruments](#)
- Frequently Asked Questions: [FAQs](#)
- Review Report: [GRAP 108 Statutory Receivables](#)

Guidance on the use of consultants



When should consultants be used?

Expert and specialist advice

Offer objective perspective

Add value in various disciplines

Problem solving

Improve performance

Not okay for:

Routine transactions and routine functions

Performing work that officials in the organisation should do

“Correcting” the results of a poor control environment at year end to enable financial statement preparation

Performing basic financial management functions

GRAP 104 Fact Sheets

Fact Sheets
available to
support application
of GRAP 104.

Accompanying material and Document link

[FAQs](#)

[Fact Sheet 1 - Definition of a financial instrument](#)

[Fact sheet 2 - Bank accounts](#)

[Fact sheet 3 - Receivables](#)

[Fact sheet 4 - Payables](#)

[Fact sheet 5 - Concessionary loans payable](#)

[Fact sheet 6 - Concessionary loans receivable](#)

[Fact sheet 7 - Financial guarantee contracts](#)

[Fact sheet 8 - Loan commitments](#)

[Fact sheet 9 - Investments in residual interests](#)

[Fact sheet 10 - Investments and loans receivable](#)

[Fact sheet 11 - VAT](#)

[Fact Sheet 12 \(1 of 2\) - Disclosure Financial Position and Performance](#)

[Fact Sheet 12 \(2 of 2\) – Disclosure Nature and Extent of Risks](#)

Frequently Asked Questions

Amended Frequently Asked Questions (FAQs)



The following FAQs were amended:

FAQ 3.9 Do land invasions affect whether an entity recognises land?

- clarifies that the impairment calculation in terms of GRAP 21 and GRAP 26 is not expected to result in zero or a nominal value.

FAQ 5.3 Do in-kind benefits only involve goods and services provided by individuals and how should in-kind benefits be accounted for?

- is expanded to include guidance on accounting for concessionary leases for lessees.

Frequently Asked Questions

Amended Frequently Asked Questions (FAQs)

A graphic with a light wood-grain background. On the left, the text 'FAQs' is written in a large, bold, black font. Below it, 'Frequently Asked Questions' is written in a smaller, grey font. To the right of the text are four circular question marks hanging from thin lines. The question marks are colored blue, red, yellow, and black from left to right.

FAQs

Frequently Asked Questions

Added the following FAQ:

FAQ 3.20 When and how should entities assess for impairment in terms of GRAP 21 and GRAP 26 ?

- explains how entities should assess for impairment in terms of GRAP 21 Impairment of Non-cash-generating Assets and GRAP 26 Impairment of Cash-generating Assets

The latest [FAQs](#) were published in May 2025

Review Report

Review Report on GRAP 108 *Statutory Receivables*

General observations

- Difficulty in distinguishing when a receivable should be classified as statutory or contractual.
- Entities do not always present information on statutory receivables as required by GRAP 108.
- Practical challenges to manage impairment on 2 different models for the same debtor.



[Review report on GRAP 108 Statutory Receivables](#)


Education material for preparers of financial statements



ACCOUNTING STANDARDS BOARD


Quarter 1: Educational Material for Preparers

Theme: On the agenda 2025/26

 1. GRAP reporting landscape – 2024/25 and beyond


 2. Amendments to Directive 5 explained

 3. Resources on GRAP 104


 4. On the ASB's work programme for 2025/26


Quarter 2: Educational Material for Preparers

Theme: The ASB and its work

 1. Due process and how stakeholders can get involved

 2. The ASB's role in the government ecosystem

 3. Types of projects undertaken by the ASB

 4. Pronouncements and other material issued by the ASB

Quarter 3: Educational Material for Preparers

Theme: Recurring questions from Stakeholders

1. The meaning of preparing financial statement to meet users' needs

2. When is GRAP 18 on Segment Reporting applicability

3. Distinguishing changes in accounting policies and prior period errors

4. Considerations when selecting and changing accounting policies

5. The difference between a provision and a contingent liability

6. Understanding the recognition and derecognition of land (substantive and protective rights)

2026/2027 Education material



- Content in past focused more on support for preparers
- 2026-2030 will focus on users → goal to educate users
- Objective NOT to provide training but to educate our stakeholders

Stay informed

- All information can be accessed on our website www.asb.co.za.
- Follow the ASB on LinkedIn + Facebook.
- Subscribe to our Newsletter via our website.
- Subscribe to our YouTube channel https://www.youtube.com/channel/UCn55v27XBHd9_pOQbyb9pmA



Contact details

Tel: (011) 697-0660

Fax: (011) 697-0666

Email: info@asb.co.za

Website: www.asb.co.za

GRAP Knowledge Hub:

