

Financial statements.... getting it right





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.



Focus areas

- Judgement day...
- The “rules of the game”
- All the money in the bank and...
- Cash is king
- Old but not cold
- What lies ahead
- How committed are you



Judgement day

- Judgement...the thing that makes accountants professionals.
- Transactions, events, facts and circumstances may differ + so may the judgements that are applied. The answers of two accountants may not be exactly the same.
- Important to explain...



Judgement day

Areas of judgement in:

- Application of accounting policies.
- Measurement of assets and liabilities.



The “rules of the game”

- The Standards describe the broad principles used to prepare financial statements.
- Users should have an understanding of these principles, but what is more important is how they are applied.
- It is important to tailor accounting policies to your circumstances.



The “rules of the game”

This is not a good accounting policy....

Property, plant and equipment are tangible non-current assets that are used in the production or supply of goods or services, rental to others, or for administrative purposes and are expected to be used during more than one reporting period. The cost of an item of property, plant and equipment is recognised as an asset when it is probable that the future economic benefits or service potential will flow to the entity and the cost or fair value can be measured reliably. Classes of property, plant and equipment are measured subsequently using the cost or the revaluation model.



The “rules of the game”

The accounting policy should:

- Explain what items are PP+E.
- Whether cost or fair value is applied initially.
- Classes of PP+E and measurement model.
- On what basis are assets revalued + frequency.



All the money in the bank and...

What makes up cash and cash equivalents for purposes of the cash flow statement?

- Held to meet short term cash commitments.
- Readily convertible into known amounts of cash.
- Subject to an insignificant risk of changes in value.



All the money in the bank and...

If material, disclose how cash and cash equivalents determined in accounting policy.



Cash is king

- Accrual accounting = own + owe.
- Need to know how cash is generated and spent to sustain operations.
- Cash flow is critically important.
- Consider materiality separately.
- Its not just reflecting changes in balance sheet items.



Cash is king

Need to understand the cash and non-cash components of transactions:

- Interest, dividends.
- Proceeds on disposals.
- Investments in assets.
- Depreciation + impairment.



Old but not cold

- Reminder to review useful lives of assets using indicators in GRAP 17.
- Review fully depreciated assets still in use + assess whether any potential changes are material. Adjustments could be changes in estimates or errors.



What lies ahead

- Financial statements enable users to make decisions using predictive information.
- Future changes in accounting policies could affect these decisions.
- Need to disclose information about Standards that are not yet effective + their potential impact.



How committed are you?

No universal requirement to disclose commitments in GRAP 1. Standard-specific requirements for:

- Operating leases.
- Investment property.
- PPE + intangible assets.
- Heritage assets.



Keep informed



Keep informed

- FAQs.
- COVID-19 - www.asb.co.za/covid-19/
- Newsletter.
- Social media.
- Translations of Standards.



Keep informed

Accounting Guidelines by OAG –
<https://oag.treasury.gov.za>

Contact details

Tel: (011) 697-0660

Fax: (011) 697-0666

Email: info@asb.co.za

Website: www.asb.co.za

