ACCOUNTING STANDARDS BOARD

STANDARD OF GENERALLY RECOGNISED ACCOUNTING PRACTICE

ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

(GRAP 3)

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Accounting Standards Board

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Acknowledgement

The Standard of Generally Recognised Accounting Practice (GRAP) on *Accounting Policies, Changes in Accounting Estimates and Errors* is based on the International Public Sector Accounting Standard (IPSAS) 3 on *Accounting Policies, Changes in Accounting Estimates and Errors* from the *Handbook of International Public Sector Accounting Pronouncements* of the International Public Sector Accounting Standards Board (IPSASB), published by the International Federation of Accountants (IFAC) and is used with the permission of the IFAC.

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ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

This Standard was originally issued by the Accounting Standards Board (the Board) in April 2004. Since then, it has been amended by:

- Improvements to the Standards of GRAP, issued by the Board in February 2010.
- Consequential amendments when the following Standard of GRAP became effective:
  - GRAP 103 *Heritage Assets*
- Improvements to the Standards of GRAP, issued by the Board in March 2012.
- Improvements to the Standards of GRAP, issued by the Board in November 2013.
- Consequential amendments when the following Standard of GRAP became effective:
  - GRAP 110 *Living and Non-living Resources*

Introduction

Standards of Generally Recognised Accounting Practice

The Accounting Standards Board (the Board) is required in terms of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), to determine generally recognised accounting practice referred to as Standards of Generally Recognised Accounting Practice (GRAP).

The Board must determine 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; and

(f) Parliament and the provincial legislatures.

The above are collectively referred to as "entities" in Standards of GRAP.

The Board has approved the application of International Financial Reporting Standards (IFRS® Standards) issued by the International Accounting Standards Board® for:

(a) public entities that meet the criteria outlined in the Directive on *The Selection of an Appropriate Reporting Framework by Public Entities;* and

(b) entities under the ownership control of any of these entities.

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.

Any limitation of the applicability of specific Standards or Interpretations is made clear in those Standards or Interpretations.

This Standard is set out in paragraphs .01 to .58. All paragraphs in this Standard have equal authority. The status and authority of appendices are dealt with in the preamble to each appendix. This Standard should be read in the context of its objective, its basis for conclusions if applicable, the *Preface to Standards of GRAP,* the *Preface to the Interpretations of the Standards of GRAP* and the *Framework for the Preparation and Presentation of Financial Statements*.

Standards of GRAP and Interpretations of the Standards of GRAP should also be read in conjunction with any directives issued by the 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.

Reference may be made here to a Standard of GRAP that has not been issued at the time of issue of this Standard. This is done to avoid having to change the Standards already issued when a later Standard is subsequently issued. Paragraph .11 of the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Objective

.01 The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. This Standard is intended to enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities. Disclosure requirements for accounting policies, except those for changes in accounting policies, are set out in the Standard of GRAP on *Presentation of Financial Statements.*

Scope

.02 An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and corrections of prior period errors.

.03 The tax effects of corrections of prior period errors and of retrospective adjustments made to apply changes in accounting policies, where applicable, are accounted for and disclosed in accordance with the International Accounting Standard® on *Income Taxes*.

Definitions

.04 The following terms are used in this Standard with the meanings specified:

<u>Accounting policies</u> are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

A <u>change in accounting estimate</u> is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

<u>Accrual basis</u> means a basis of accounting under which transactions, other events and conditions are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions, other events or conditions are recorded in the accounting records and recognised in the financial statements of the periods to which they relate. The elements recognised under accrual accounting are assets, liabilities, net assets, revenue and expenses.

<u>Impracticable</u> Applying a requirement is impracticable when the entity cannot

apply it after making every reasonable effort to do so. For a particular prior period, it is impracticable to apply a change in an accounting policy retrospectively or to make a retrospective restatement to correct an error if:

(a) the effects of the retrospective application or retrospective restatement are not determinable;

(b) the retrospective application or retrospective restatement requires assumptions about what management's intent would have been in that period; or

(c) the retrospective application or retrospective restatement requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that:

(i) provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognised, measured or disclosed; and

(ii) would have been available when the financial statements for that prior period were authorised for issue from other information.

<u>Material</u> Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

<u>Prior period errors</u> are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

(a) was available when financial statements for those periods were authorised for issue; and

(b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

<u>Prospective application</u> of a change in an accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are:

(a) applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed; and

(b) recognising the effect of the change in the accounting estimate in the current and future periods affected by the change.

<u>Retrospective application</u> is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

<u>Retrospective restatement</u> is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.

<u>Standards of GRAP</u> comprise the Standards, Interpretations of the Standards of GRAP and Directives issued by the Accounting Standards Board (ASB).

Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards.

Materiality

.05 Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. Users are assumed to have a reasonable knowledge of the public sector and economic activities and accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

Accounting policies

Selection and application of accounting policies

.06 When a Standard of GRAP specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Standard and considering any applicable Interpretations and Directives issued by the ASB for the Standard.

.07 Standards of GRAP set out accounting policies that the ASB has concluded result in financial statements containing relevant and reliable information about the transactions, other events and conditions to which they apply. Those policies need not be applied when the effect of applying them is immaterial. However, it is inappropriate to make, or leave uncorrected, immaterial departures from the Standards to achieve a particular presentation of an entity's financial position, financial performance or cash flows.

.08 In the absence of a Standard of GRAP that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:

(a) relevant to the economic decision-making needs of users;

(b) reliable, in that the financial statements:

(i) represent faithfully the financial position, financial performance and

cash flows of the entity;

(ii) reflect the economic substance of transactions, other events and conditions, and not merely the legal form;

(iii) are neutral, i.e. free from bias; and

(iv) are prudent; and

(c) are complete in all material respects.

.09 Paragraph .08 requires the development of accounting policies to ensure that the financial statements provide information that meets a number of qualitative characteristics. The *Framework for the Preparation and Presentation of Financial Statements*[1] contains the qualitative characteristics of financial reporting.

.10 In making the judgement described in paragraph .08, management shall refer to and consider the applicability of, the following sources in descending order:

(a) the requirements in Standards of GRAP or Interpretations of Standards of GRAP dealing with similar and related issues; and

(b) the definitions, recognition criteria and measurement concepts for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements*[1]*.

.11 In making the judgement described in paragraph .08, management may also consider the most recent pronouncements of other standard-setting bodies and accepted public or private sector practices to the extent, but only to the extent, that these do not conflict with the sources in paragraph .10. For example pronouncements of, in descending order, the International Public Sector Accounting Standards Board (including the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities), the International Accounting Standards Board (IASB®) (including the Conceptual Framework for Financial Reporting), the IFRS® Interpretations Committee or the former Standing Interpretations Committee of the IASB, and the Financial Reporting Standards Council.

Consistency of accounting policies

.12 An entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless a Standard of GRAP specifically requires or permits categorisation of items for which different accounting policies may be appropriate. If a Standard requires or permits such categorisation, an appropriate accounting policy shall be selected and applied consistently to each category.

[1] In June 2017, the Board replaced the *Framework for the Preparation and Presentation of Financial Statements* with the *Conceptual Framework for General Purpose Financial Reporting*.

Changes in accounting policies

.13 An entity shall change an accounting policy only if the change:

(a) is required by a Standard of GRAP; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

.14 Users of financial statements need to be able to compare the financial statements of an entity over time to identify trends in its financial position, financial performance and cash flows. Therefore, the same accounting policies are applied within each period and from one period to the next unless a change in an accounting policy meets one of the criteria in paragraph .13.

.15 A change from one basis of accounting to another basis of accounting is a change in accounting policy.

.16 A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

.17 The following are not changes in accounting policies:

(a) the application of an accounting policy for events or transactions, other events or conditions that differ in substance from those previously occurring;

(b) the application of a new accounting policy for transactions, other events or conditions that did not occur previously or that were immaterial; and

(c) a change to the cost model when a reliable measure of fair value is not available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value.

.18 When for example, an entity measures investment property at fair value in terms of the Standard of GRAP on *Investment Property* (GRAP 16) but it becomes evident that, subsequent to the initial acquisition of the investment property, the fair value of the investment property cannot be determined reliably, GRAP 16 requires that such investment property should be measured at cost in accordance with the Standard of GRAP on *Property, Plant and Equipment* (GRAP 17). Such a change to the cost model when a reliable measure of fair value is not available is not a change in an accounting policy in terms of this Standard, and should be accounted for prospectively.

.19 The initial application of a policy to revalue assets in accordance with GRAP 17, the Standards of GRAP on Intangible Assets (GRAP 31), Heritage

Assets (GRAP 103) or Living and Non-living Resources (GRAP 110) is a change in an accounting policy to be dealt with as a revaluation in accordance with the applicable Standard of GRAP.

.20 Paragraphs .21 to .33 do not apply to the change in accounting policy described in paragraph .19.

Applying changes in accounting policies

.21 Subject to paragraph .25:

(a) an entity shall account for a change in accounting policy resulting from the initial application of a Standard of GRAP in accordance with the specific transitional provisions, if any, in that Standard; and

(b) when an entity changes an accounting policy upon initial application of a Standard of GRAP that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, it shall apply the change retrospectively.

.22 For the purpose of this Standard, early application of a Standard of GRAP is not a voluntary change in accounting policy.

.23 In the absence of a Standard of GRAP that specifically applies to a transaction, other event or condition, management may, in accordance with paragraph .11, apply an accounting policy from the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards. If, following an amendment of such a pronouncement, the entity chooses to change an accounting policy, that change is accounted for and disclosed as a voluntary change in accounting policy.

Retrospective application

.24 Subject to paragraph .23, when a change in accounting policy is applied retrospectively in accordance with paragraph .21(a) or (b), the entity shall adjust the opening balance of each affected component of net assets for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

Limitations on retrospective application

.25 When retrospective application is required by paragraph .21(a) or (b), a change in accounting policy shall be applied retrospectively, except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

.26 When it is impracticable to determine the period-specific effects of changing an accounting policy on comparative information for one or more prior periods

presented, the entity shall apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable, which may be the current period, and shall make a corresponding adjustment to the opening balance of each affected component of net assets for that period.

.27 When it is impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods, the entity shall adjust the comparative information to apply the new accounting policy prospectively from the earliest date practicable.

.28 When an entity applies a new accounting policy retrospectively, it applies the new accounting policy to comparative information for prior periods as far back as is practicable. Retrospective application to a prior period is not practicable unless it is practicable to determine the cumulative effect on the amounts in both the opening and closing statements of financial position for that period. The amount of the resulting adjustment relating to periods before those presented in the financial statements is made to the opening balance of each affected component of net assets of the earliest prior period presented. Usually the adjustment is made to accumulated surpluses and deficits. However, the adjustment may be made to another component of net assets (for example, to comply with a Standard of GRAP). Any other information about prior periods, such as historical summaries of financial data, is also adjusted as far back as is practicable.

.29 When it is impracticable for an entity to apply a new accounting policy retrospectively, because it cannot determine the cumulative effect of applying the policy to all prior periods, the entity, in accordance with paragraph .25, applies the new policy prospectively from the start of the earliest period practicable. It therefore disregards the portion of the cumulative adjustment to assets, liabilities and net assets arising before that date. Changing an accounting policy is permitted even if it is impracticable to apply the policy prospectively for any prior period. Paragraphs .52 to .55 provide guidance on when it is impracticable to apply a new accounting policy to one or more prior periods.

Disclosure

.30 When initial application of a Standard of GRAP has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

- ***(a) the title of the Standard;***
- ***(b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;***
- ***(c) the nature of the change in accounting policy;***

(d) when applicable, a description of the transitional provisions;

(e) when applicable, the transitional provisions that might have an effect on future periods;

(f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected;

(g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(h) if retrospective application required by paragraph .21(a) or (b) is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

.31 ***When a voluntary change in accounting policy has an effect on the current period or any prior period, would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:***

(a) the nature of the change in accounting policy;

(b) the reasons why applying the new accounting policy provides reliable and more relevant information;

(c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected;

(d) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(e) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

.32 ***When an entity has not applied a new Standard of GRAP that has been issued but is not yet effective, the entity shall disclose:***

(a) this fact; and

(b) known or reasonably estimable information relevant to assessing the

possible impact that application of the new Standard will have on the entity's financial statements in the period of initial application.

.33 In complying with paragraph .32, an entity considers disclosing:

(a) the title of the new Standard;

(b) the nature of the impending change or changes in accounting policy;

(c) the date by which application of the Standard is required;

(d) the date as at which it plans to apply the Standard initially; and

(e) either:

(i) a discussion of the impact that initial application of the Standard is expected to have on the entity's financial statements; or

(ii) if that impact is not known or reasonably estimable, a statement to that effect.

Changes in accounting estimates

.34 As a result of the uncertainties inherent in delivering services, conducting trading or other activities, many items in financial statements cannot be measured with precision but can only be estimated. Estimation involves judgements based on the latest available, reliable information. For example, estimates may be required of:

(a) tax revenue due to government;

(b) bad debts arising from uncollected taxes;

(c) inventory obsolescence;

(d) the fair value of financial assets and financial liabilities;

(e) the useful lives of, or expected pattern of consumption of economic benefits or service potential embodied in, depreciable assets or the percentage completion of road construction; and

(f) warranty obligations.

.35 The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability.

.36 An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. By its nature, the revision of an estimate does not relate to prior periods and is not the correction of an error.

.37 A change in the measurement basis applied is a change in an accounting policy, and is not a change in an accounting estimate. When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate.

.38 The effect of a change in an accounting estimate, other than a change to which paragraph .39 applies, shall be recognised prospectively by including it in surplus or deficit in:

(a) the period of the change, if the change affects that period only; or

(b) the period of the change and future periods, if the change affects both.

.39 To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of net assets, it shall be recognised by adjusting the carrying amount of the related asset, liability or item of net assets in the period of the change.

.40 Prospective recognition of the effect of a change in an accounting estimate means that the change is applied to transactions, other events and conditions from the date of the change in estimate. A change in an accounting estimate may affect only the current period's surplus or deficit or the surplus or deficit of both the current period and future periods. For example, a change in the estimate of the amount of bad debts affects only the current period's surplus or deficit and is therefore recognised in the current period. However, a change in the estimated useful life of or the expected pattern of consumption of economic benefits or service potential embodied in a depreciable asset affects the depreciation expense for the current period and for each future period during the asset's remaining useful life. In both cases, the effect of the change relating to the current period is recognised as revenue or expense in the current period. The effect, if any, on future periods is recognised as revenue or expense in those future periods.

Disclosure

.41 An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

.42 If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.

Errors

.43 Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Financial statements do not comply with Standards of GRAP if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's financial position, financial performance or cash flows. Potential current period errors discovered in that period are corrected before the financial statements are authorised for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period (see paragraphs .44 to .49).

.44 ***Subject to paragraph .45, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:***

(a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or

(b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

Limitations on retrospective restatement

.45 ***A prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.***

.46 ***When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable (which may be the current period).***

.47 ***When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.***

.48 The correction of a prior period error is excluded from surplus or deficit for the period in which the error is discovered. Any information presented about prior periods, including any historical summaries of financial data, is restated as far back as is practicable.

.49 When it is impracticable to determine the amount of an error (e.g. a mistake in applying an accounting policy) for all prior periods, the entity, in accordance with paragraph .46, restates the comparative information prospectively from the earliest date practicable. It therefore disregards the portion of the cumulative restatement of assets, liabilities and net assets arising before that date. Paragraphs .52 to .55 provide guidance on when it is impracticable to correct an error for one or more prior periods.

.50 Corrections of errors are distinguished from changes in accounting estimates. Accounting estimates by their nature are approximations that may need revision as additional information becomes known. For example, the gain or loss recognised on the outcome of a contingency is not the correction of an error.

Disclosure of prior period errors

.51 ***In applying paragraph .44, an entity shall disclose the following:***

(a) ***the nature of the prior period error;***

(b) ***for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected;***

(c) ***the amount of the correction at the beginning of the earliest prior period presented; and***

(d) ***if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.***

Financial statements of subsequent periods need not repeat these disclosures.

Impracticability in respect of retrospective application and retrospective restatement

.52 In some circumstances, it is impracticable to adjust comparative information for one or more prior periods to achieve comparability with the current period. For example, data may not have been collected in the prior period(s) in a way that allows either retrospective application of a new accounting policy (including, for the purpose of paragraphs .53 to .55, its prospective application to prior periods) or retrospective restatement to correct a prior period error, and it may be impracticable to recreate the information.

.53 It is frequently necessary to make estimates in applying an accounting policy to elements of financial statements recognised or disclosed in respect of transactions, other events or conditions. Estimation is inherently subjective, and estimates may be developed after the reporting date. Developing estimates is potentially more difficult when retrospectively applying an accounting policy or making a retrospective restatement to correct a prior period error, because of the longer period of time that might have passed since the affected transaction, other event or condition occurred. However, the objective of estimates related to prior periods remains the same as for estimates made in the current period, namely, for the estimate to reflect the circumstances that existed when the transaction, other event or condition occurred.

.54 Therefore, retrospectively applying a new accounting policy or correcting a prior period error requires distinguishing information that:

(a) provides evidence of circumstances that existed on the date(s) as at which the transaction, other event or condition occurred; and

(b) would have been available when the financial statements for that prior period were authorised for issue from other information. For some types of estimates (e.g. an estimate of fair value not based on an observable price or observable inputs), it is impracticable to distinguish these types of information. When retrospective application or retrospective restatement would require making a significant estimate for which it is impossible to distinguish these two types of information, it is impracticable to apply the new accounting policy or correct the prior period error retrospectively.

.55 Hindsight should not be used when applying a new accounting policy to, or correcting amounts for, a prior period, either in making assumptions about what management's intentions would have been in a prior period or estimating the amounts recognised, measured or disclosed in a prior period. For example, an entity classifies a government building as an investment property. The entity does not change the basis of classification for previous reporting periods if management decided later to use that building as an owner-occupied office building. In addition, when an entity corrects a prior period error in calculating its liability for provision of cleaning-costs of pollution resulting from government operations in accordance with the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets*, it disregards information about an unusually large oil leak from a naval supply ship during the next period that became available after the financial statements for the prior period were authorised for issue. The fact that significant estimates are frequently required when amending comparative information presented for prior periods does not prevent reliable adjustment or correction of the comparative information.

Effective date

Initial adoption of the Standards of GRAP

.56 An entity shall apply this Standard for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(a) of the Public Finance Management Act, Act No. 1 of 1999 as amended.

Entities already applying Standards of GRAP

.57 An entity shall apply amendments to this Standard for annual financial statements covering periods beginning on or after 1 April 2015. Earlier application is encouraged. If an entity applies this Standard for a period beginning before 1 April 2015, it shall disclose that fact.

.57A Paragraph .19 was amended by GRAP 110 issued March 2017. An entity shall apply this amendment retrospectively for annual financial periods beginning on or after 1 April 2020. If an entity elects to apply this amendment earlier, it shall disclose this fact.

Withdrawal of the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* (2004)

.58 This Standard supersedes the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* issued in 2004.

Comparison with the International Public Sector Accounting Standard on *Accounting Policies, Changes in Accounting Estimates and Errors* (December 2006)

This Standard is drawn primarily from the International Public Sector Accounting Standard on *Accounting Policies, Changes in Accounting Estimates and Errors* (IPSAS 3). The main differences between this Standard and IPSAS 3 are as follows:

- IPSAS 3 describes the residual of total assets after deducting total liabilities as "net assets/equity" whereas this Standard refers to "net assets".
- Paragraphs included in IPSAS 3 have been transferred to the *Framework for the Preparation and Presentation of Financial Statements*[1] and have been deleted from this Standard, for instance, paragraphs that covered future economic benefits or service potential and net assets.
- This Standard provides additional information on whether changes in the measurement bases, based on the availability of information, results in a change in an accounting policy. This guidance is not included in IPSAS 3.