

STATEMENT OF GENERALLY ACCEPTED ACCOUNTING PRACTICE FOR SMALL AND MEDIUM-SIZED ENTITIES

This Statement of Generally Accepted Accounting Practice (GAAP) for Small and Medium-sized Entities (SMEs) has been approved by the Accounting Practices Board (APB), which body has as its principal object:

“To establish and to procure the recognition and acceptance of what the Board considers is or should be generally accepted accounting practice.”

This document, which was issued as an exposure draft of a proposed International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities (SMEs), by the International Accounting Standards Board (IASB), is issued in South Africa as a Statement of GAAP for SMEs after consultation and due process. The original text of the exposure draft of a proposed IFRS for SMEs has been adopted without any change. All references to ‘IFRS for SMEs’ in this document should be read as the ‘Statement of GAAP for SMEs’.

The Preface to the Statement of GAAP for SMEs, in paragraph P13, states that “*decisions on which entities are required or permitted to use the IASB’s standards rest with national regulatory authorities and standard-setters*”. Accordingly, the APB has decided that the Statement of GAAP for SMEs may be applied as follows:

- **For companies:** The Statement of GAAP for SMEs may be applied by ‘limited interest companies’, as defined in the Corporate Laws Amendment Act, 2006, if they do not have public accountability as defined in Section 1 of the Statement of GAAP for SMEs.
- **For entities other than companies where legal provisions or other regulations require compliance with a specific financial**

reporting framework (other than Statements of GAAP): Such entities cannot apply the Statement of GAAP for SMEs even if they do not have public accountability as defined in Section 1 of the Statement of GAAP for SMEs.

- **For entities other than companies whose financial reporting framework is not set out by legal provisions or other regulations: If such entities do not have public accountability, as defined in Section 1 of the Statement of GAAP for SMEs, they should assess whether it is appropriate to apply the Statement of GAAP for SMEs.**

Financial statements prepared in accordance with this Statement of GAAP must indicate that the financial statements have been prepared in accordance with the Statement of Generally Accepted Accounting Practice for Small and Medium-sized Entities. The audit report should do likewise.

Effective Date

For 'limited interest companies', within the scope as set out above, the Statement of GAAP for SMEs may only be applied to annual financial statements for financial years ending on or subsequent to 31 December 2005 that are issued on or after 1 October 2007.

For entities other than companies whose financial reporting framework is not set out by legal provisions or other regulations, the Statement of GAAP for SMEs may be applied to annual financial statements that are issued on or after 1 October 2007.