



**basic education**

---

Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

# **GUIDELINE FOR PREPARATION OF FINANCIAL STATEMENTS BY PUBLIC SCHOOLS**

Final 05 May 2022



**basic education**

Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA

## **TABLE OF CONTENTS**

<b>1. INTRODUCTION.....</b>	<b>3</b>
<b>2. ACRONYMS.....</b>	<b>4</b>
<b>3. DEFINITIONS.....</b>	<b>4</b>
<b>4. SCOPE.....</b>	<b>7</b>
<b>5. PURPOSE.....</b>	<b>8</b>
<b>6. MAIN ROLEPLAYERS.....</b>	<b>8</b>
<b>7. CONCEPTS AND PRINCIPLES.....</b>	<b>10</b>
<b>8. STATEMENT OF FINANCIAL PERFORMANCE.....</b>	<b>12</b>
<b>9. STATEMENT OF FINANCIAL POSITION.....</b>	<b>18</b>
<b>10. NOTES OF THE FINANCIAL STATEMENTS.....</b>	<b>22</b>



## **1. INTRODUCTION**

1.1. Section 42 of the South African Schools Act 84 of 1996 (SASA) requires that the School Governing Body (SGB) of a public school must keep records of funds received and spent by the public school and of its assets, liabilities and financial transactions. It also provides that the SGB prepares annual financial statements, not later than three months after the end of each financial year, in accordance with the guidelines determined by the Member of the Executive Council.

1.2. The National Department of Basic Education, issues this Guideline for Preparation of Financial Statements by Public Schools, herein after referred to as the Guideline, pursuant to requests from the preparers and users of the public schools' financial statements. The following are all qualitative characteristics of financial statements:

### **1.2.1. Understandability**

The information must be understandable to users of the financial statements. This means that information must be clearly presented with additional information supplied in the supporting footnotes as needed to assist in clarification.

### **1.2.2. Relevance**

The information must be relevant to the needs of the users, which is the case when the information influences their economic decisions. This may involve reporting particularly relevant information, or information whose omission or misstatement could influence the economic decisions of users.

### **1.2.3. Reliability**

The information must be free of material error, bias and not misleading. Thus, the information should faithfully represent transactions and other events, reflect the underlying substance of events, and prudently represent estimates and uncertainties through proper disclosure.

### **1.2.4. Comparability**

The information must be comparable to the financial information presented for other accounting periods, so that users can identify trends in the performance and financial position of the reporting entity.

1.3. The Guideline is not authoritative and enforceable on provincial education departments (PEDs) as the SASA provides that the Member of the Executive Council provides prescriptions for the preparation of annual financial statements by public schools. The adoption of this Guideline, by education departments in the provinces, is encouraged to be used by public schools as this guideline aims to streamline particular processes according to a set routine or sound practice to



## basic education

Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA

bring about uniformity and consistency in the system and to make the actions of the users more predictable, and presumably of higher quality.

### 2. ACRONYMS

AGSA	Auditor-General of South Africa
ASB	Accounting Standards Board
CEM	Council of Education Ministers
DBE	Department of Basic Education
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPSASB	International Public Sector Accounting Standards Board
LTSM	Learning Teaching Support Material
MEC	Member of the Executive Council
NEPA	National Education Policy Act, 1996
PED	Provincial Education Department
SASA	South African Schools Act, 1996
SGB	School Governing Body

### 3. DEFINITIONS

**‘Accounting framework’** means a set of criteria that is used to recognize, measure, present and disclose the information appearing in an entity’s financial statements;

**‘Accounting policies’** means the specific principles, bases, conventions, rules and practices applied by an entity in preparing, presenting and disclosing information in the financial statements;

**‘Statement of financial performance’** means statement of all income and expenditure and the resulting surplus or deficit for the reporting period;

**‘Statement of financial position’** means a statement of all assets, liabilities and accumulated surplus and deficit at the reporting date;

**‘Asset’** means a resource with economic value that a school owns or controls as a result of past events and from which future economic benefits or service potential are expected to flow;

**‘Cash flow statement’** means the movement in cash and bank balances over the reporting period, classified into operating, investing and financing activities (it is basically a tool or financial statement that tracks the cash flow for a school);



## basic education

Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA

**‘Condition allocations’** means a conditional allocation to a province or a school from the national government’s share of revenue raised nationally, which is provided for and whose purpose is specified in the Division of Revenue;

**‘Creditor’** means one to whom a debt is owed by the school or an entity to whom money is owed by the school in other words a person, bank, or other enterprise that has (a) lent money to the school or (b) extended credit on goods to the school or (c) services procured by the school;

**‘Deficit’** means the amount by which the expenditure exceeds income (a school will have a deficit if it spends more money than what it receives);

**‘Depreciation’** means a reduction in the value of an asset over time, due in particular to wear and tear;

**‘Disclosure’** means the timely release of all information about the school that may influence an investor’s/donor’s decision. It reveals both positive and negative news, data, and operational details that impact its business;

**‘Donor’** means one (entity or an individual) who gives a gift or transfers title of an asset without receiving any consideration (money, goods or service) in exchange;

**‘Expenditure’** means a payment with either cash or credit to purchase goods or services;

**‘Fee paying school’** means a Public School that is allowed to charge school fees;

**‘Financial statements’** means a formal presentation of the financial activities and financial position of a school and it comprises; a statement of financial performance, a statement of financial position, a statement of changes in net assets, a cash flow statement and notes to the financial statements;

**‘Financial year’** means the school year from 01 January to 31 December of each year;

**‘Income’** means money received, especially on a regular basis;

**‘Liability’** is a present obligation of the school arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits or service potential (A liability is a legally binding obligation payable by the school to another entity. Liabilities are incurred in order to fund the ongoing activities of the school. A liability is something the school owes, usually a sum of money);

**‘Measurement’** means the process of determining the monetary amounts at which the elements of the financial statements are recognised and carried in the balance sheet and income statement;



## basic education

Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA

**'No fee paying school'** means a Public School that is prohibited from charging of school fees;

**'Offsetting'** means netting off assets and liabilities or income and expenses in the financial statements (When talking about offsetting in accounting, it usually refers to reducing or negating the balance of another account that it is paired with. An offset account can also be referred to as a contra account and this means that offset accounts will always have a paired balance sheet account. In accounting, an offset is essentially a withdrawal from one account to diminish an expense toward other account;

**'Payables'** means debts that must be paid off within a given period to avoid default (Whereas accounts payable represents money that the school owes to suppliers' / service providers / creditors);

**'Parent'** in terms of section 1 of SASA means—

- a) the parent or guardian of a learner;
- b) the person legally entitled to custody of a learner; or
- c) the person who undertakes to fulfil the obligations of a person referred to in paragraphs (a) and (b) towards the learner's education at school;

**'Presentation'** sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content;

**'Principal'** means an educator appointed or acting as head of a school;

**'Prudent'** means inclusion of a degree of caution in the exercise of the judgements needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated;

**'Receivables'** means debts owed to a school by its customers and parents for goods or services used / delivered and rendered but not yet paid for (money owed to a school, but not yet paid to the school);

**'Recognition'** means identification of expenditure or income which has been realised;

**'Recording'** means a basic phase of accounting that is also known as bookkeeping;

**'School'** means a public school or an independent school which enrolls learners in one or more grades from grade R (Reception) to grade twelve;

**'School governing body'** means a statutory body entrusted with the governance of every public school and it may perform only such functions and obligations and exercise only such rights as prescribed by the *South African Schools Act. 84 of 1996*;



**‘Sponsor’** means someone or an entity that supports an event or activity at the school financially or in kind through the provision of products or services;

**‘Modified Cash basis’** means an accounting framework which is essentially a cash basis of accounting where the financial statements are based on cash transactions and balances while more accrual-based information is required in the notes to the financial statements;

**‘Surplus’** means the amount by which the income exceeds expenditure;

**‘Useful Life’** means the estimated lifespan of an asset during which it can be expected to be available for use by the school;

**‘Unconditional allocations’** means transfers, grants and subsidies received from government without detailed requirements. (budget document).

#### 4. SCOPE

4.1. This Guideline applies to School Governing Bodies of all public schools (under the auspices of those PEDs that have decided to adopt these guidelines) as compilers of the annual financial statements.

4.2. An SGB that decide to use this Guidelines must adhere fully with the principles, presentation and disclosure requirements contained in this document.

4.3. The financial management directives to public schools must be consistent with this Guideline.

4.4. The users of the financial statements of a public school are listed below, but not limited to the list below:

- Provincial Department of Basic Education (including relevant Education District Office and Head Office staff);
- Parents;
- Credit Providers;
- Staff;
- Sponsors;
- Donors;
- SGBs; and
- Principals.



## 5. PURPOSE

5.1. The purpose of this Guideline is to provide the following:

- 5.1.1. An accounting framework and the requirements for the accounting policies, form and minimum contents for all public schools' SGBs in the preparations of the annual financial statements;
- 5.1.2. A proposed format for the preparation of the annual financial statements of schools, that can be subject to audit or examination;
- 5.1.3. The promotion of uniformity in public school's preparations of annual financial statements; and
- 5.1.4. If all PEDs implement the guidelines in its entirety, then it will assist the monitoring and evaluation task of the DBE.

## 6. MAIN ROLE PLAYERS

### 6.1. Auditor-General of South Africa (AGSA)

- 6.1.1. The Auditor-General of South Africa (AGSA) conducts regularity audits of national and provincial government departments, identified public entities, municipalities and municipal entities (its clients or auditees). Furthermore, AGSA conducts discretionary audits, such as performance audits, special audits and investigations. Its audit reports are made public and are tabled in Parliament, provincial legislatures and municipal councils. In addition to these audit-specific reports, AGSA publishes general reports each year, in which it analyses the outcomes of the audits at national, provincial and municipal spheres of government.
- 6.1.2. Through its audit activities, AGSA plays an important role in enabling accountability and thus promoting sound financial governance practices in South Africa. It does this by providing independent assurance to the various legislatures on whether entities that use public funds have managed their financial affairs in line with sound financial principles, have complied with the relevant legislative framework, and have provided credible information on the achievement of their financial and performance objectives. In this way, the elected representatives of the South African people are able to hold the executive and accounting authorities, officials and public entities accountable. Ultimately, AGSA's work empowers citizens to hold the custodians of public resources accountable.





## basic education

Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA

6.1.3. AGSA is accountable to the National Assembly, to which it reports annually on its activities and the performance of its functions by tabling the main accountability instruments, namely its strategic plan and budget and its annual report. The Standing Committee on the Auditor-General (SCoAG), established in terms of the Constitution of the Republic of South Africa, 1996 (the Constitution) and the Public Audit Act, oversees AGSA's performance on behalf of the National Assembly.

6.1.4. It must also be noted that AGSA does not really audit or examine the financial records, statements and books of schools. By operation of SASA, only if the Member of the Executive Council deems it necessary, he or she may request the Auditor-General to undertake an audit of the records and financial statements of a school (s43 (4) of SASA).

### **6.2. Accounting Standards Board (ASB)**

6.2.1. The mission of the Accounting Standards Board (ASB) is to serve the public interest by setting standards of Generally Recognised Accounting Practice (GRAP) and providing guidance for financial and other performance information reported by the public sector.

6.2.2. The ASB has the following responsibilities: determine the work programme and approve the appointment of members of project groups; approve the standards to be issued as standards of GRAP for the preparation of annual financial statements of all spheres of government; prepare and publish directives, interpretations and guidelines concerning the standards of GRAP; recommend to the Minister of Finance effective dates for the implementation of these standards by different categories of institutions to which these standards apply; perform any other function incidental to advancing financial reporting in the public sector; and issue and publish recommended practices on its own authority, if satisfied as to need, usefulness and practicality, following a process of consultation with stakeholders.

### **6.3. International Accounting Standards Board (IASB)**

6.3.1. The International Accounting Standards Board (IASB) is an independent, private-sector body that develops and approves International Financial Reporting Standards (IFRSs).

6.3.2. The International Accounting Standards are accounting standards that are issued by the IASB.

6.3.3. International Financial Reporting Standards (IFRS) are a set of accounting rules for the financial statements of public companies that



## basic education

Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA

are intended to make them consistent, transparent, and easily comparable around the world.

- 6.3.4. The IFRS were created to bring consistency and integrity to accounting standards and practices, regardless of the company or the country.

### 6.4. Council of Education Ministers

6.4.1. The empowering provision to establish the Council of Education Ministers is found in the National Education Policy Act, 1996 (Act No. 27 of 1996) (the NEPA). It states that it consists of the Minister (who shall be the chairperson), the Deputy Minister (who in the absence of the Minister shall be designated by the Minister as chairperson) and every provincial political head of education, by implication the Member of the Executive Council (MEC) responsible for education in each provincial government.

6.4.2. The functions of the Council shall be to –

- 6.4.2.1. Promote a national education policy which takes full account of the policies of the government, the principles contained in s4 of NEPA, the education interests and needs of the provinces and the respective competence of parliament and provincial legislatures in terms of section 146 of the Constitution;
- 6.4.2.2. Share information and views on all aspects of education in the Republic; and
- 6.4.2.3. Co-ordinate action on matters of mutual interest to the national and provincial governments.

## 7. CONCEPTS AND PRINCIPLES

### Basis for preparation:

#### Modified Cash Accounting Framework

- 7.1. The Guideline is prepared using cash principles of accounting which set out the principles for the recognition, recording, measurement, presentation and disclosure of information required in terms of this Guidelines. In terms of the modified cash basis contained in this guideline, only certain elements are recognised in the statement of financial performance and the statement of financial position, while others are recorded for presentation as notes to the financial statements.



## basic education

Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA

- 7.2. The Guideline comprises of separate sections for income, expenditure, assets and liabilities. Each section sets out the recognition, recording, measurement, presentation and disclosure requirements of these items.

### **Components of the Annual Financial Statements**

- 7.3. The components of the annual financial statements of a public school shall consist of the following:
- 7.3.1. Statement of financial performance;
  - 7.3.2. Statement of financial position; and
  - 7.3.3. Notes to the financial statements including accounting policies.

### **Offsetting**

- 7.4. Assets and liabilities, income and expenses, shall not be offset, except where offsetting reflects the substance of the transaction or other event.

### **Comparative information**

- 7.5. Comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

### **Submission, audit and examination of financial statements**

- 7.6. The financial year of a school starts on the 1<sup>st</sup> January of a year and ends on the 31<sup>st</sup> December of a year.
- 7.7. Section 42 (b) of the SASA requires that the governing body submits the annual financial statements to the auditors or examiners within three (3) months after the end of each financial year, i.e by latest 31 March of a year.
- 7.8. In addition, it is recommended that the auditors or examiners complete the audit or examination within five (5) months after the end of the financial year, i.e by latest 31 May of a year.
- 7.9. In terms of section 43(5) of the SASA, the SGB must submit, to the Head of Department, a copy of audited or examined annual financial statements, within six (6) months after the end of each financial year, i.e by latest 30 June of a year.

### **Transitional provisions**

- 7.10. Comparatives will not be required in the year in which this Guideline is first applied.

### **Effective date**

- 7.11. A school shall apply this Guideline for annual financial statements covering periods beginning on or after a date to be determined by the Member of the Executive Council (MEC).



### **Accounting for transactions not addressed by this guideline**

- 7.12. If the PED has decided to use this guideline as a directive and the policy specifically addresses a transaction, other event or condition, a school shall apply this policy. If this policy does not specifically address a transaction, other event or condition, the school's governing body shall consult the PED for direction in developing and applying an accounting policy that results in information that is relevant to the economic decision-making needs of users and is reliable.
- 7.13. In making such judgements, the governing body shall refer to, and consider the applicability of, the following sources in descending order:
- 7.13.1. the requirements and guidance in this policy dealing with similar and related issues; and
  - 7.13.2. the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses and the fundamental principles and concepts outlined in this policy.
- 7.14. In making the judgements above, the PED or school management may also consider the requirements and guidance in other financial reporting standards dealing with similar and related issues.

## **8. STATEMENT OF FINANCIAL PERFORMANCE**

- 8.1. The statement of financial performance includes all income and expenditure. Where income exceeds expenditure, the result is a surplus and, where expenditure exceeds income the results is a deficit.
- 8.2. The statement of financial performance part of the Guideline discusses the accounts applicable to public schools and the related concepts and principles. The accounting policies and structure of the statement of financial performance and other components of the financial statements is included in the *Illustrative Financial Statements*.

### **INCOME**

- 8.3. Where applicable, a public school shall recognised income using the following accounts and present them on the face of the statement of financial performance:



## basic education

Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA

Account name	Accounting principles
Allocation, Transfers, Grants and Subsidies	6, 7, 8 and 9
School Fee Exemption Compensation or Refunds	10
Bad Debts Recovered	11
Donations and Sponsorships	12 and 13
Fundraising	14
Hostel Fees	15
Investment Income	16
Learner transport fees	17
National School Nutrition Programme (NSNP)	18
Other Income: (please specify)	19
Gain on disposal of assets / Profit on sales of assets	20
Rental Income	21
School Fees Income / Receivable	22
Sales	23
Tuck-shop Sales	24
Interest	25
School Uniform Sales	26

8.4. Where the SGB requires additional guidance on the income accounts that should be utilised the PED can be contacted to provide such guidance.

### Concepts and principles of income

8.5. Unless otherwise stated, income of a public schools is recognised when cash is received.

### Allocations, transfers, grants and subsidies

8.6. The main source of a public school's income comprises of allocations, transfers, grants and subsidies which are funds appropriated by the provincial legislature and received from the provincial department of education.

8.7. Unconditional government grants are recognised as income when they are received.

8.8. Unconditional grants are distinguished from conditional grants by conditions that have to be complied with that are attached to the latter.

8.9. Conditional grants are recognised as a liability when received and recognised as income when the conditions have been complied with. Conditional allocations will have to be paid back to the PED, by the school, if they are not used in line with the set conditions.



### **Compensation for school fee exemption**

8.10. Compensation for fee exemption shall be recognised as income when they are received.

### **Bad debts recovered**

8.11. Bad debts recovered shall be recognised as income when they are received.

### **Donations and Sponsorships**

8.12. Cash donations and sponsorships are recognised as income on the date the cash is received. Donations and sponsorships in the form of assets are recognised at the value of the asset on the date the asset is received by the school. Donations and sponsorships in kind shall not be recognised in the statement of financial performance but recorded in the notes to the financial statements.

8.13. Conditional donations and sponsorships are recognised as a liability when received and recognised as income when the conditions are met. Donations are conditional if the school will have to pay them back to the providers if they are not used in line with the set conditions.

### **Fundraising income**

8.14. Fundraising income consists of cash received from fundraising activities such as ticket sales, tuck-shop sales, etc. Fundraising income is recognised as the amount of cash received from fundraising activities. Contributions received from specific fundraising are recognised as a liability when the funds are received and transferred to income as the funds are utilised for their intended purpose (or as the asset is depreciated). Fundraising is specific when the funds raised can only be used for a specific purpose and the money will have to be paid back to the contributors if the funds are not used in line with the agreed conditions.

### **Hostel fees**

8.15. Hostel fees consist of cash received in exchange for accommodation and food, if applicable, at the school residences. Hostel fees shall be recognised when they are due.

### **Investment income**

8.16. Investment income consists of cash received for money invested with a financial institution in the form of interest or dividends. Investment income shall be recognised when cash is received.

### **Learner transport fees**

8.17. Learner transport fees consist of cash received for transporting learners to and from school. Learner transport fees are recognised when they are due.



### **National School Nutrition Programme (NSNP)**

8.18. National School Nutrition Programme (NSNP) consists of funds transferred to schools for school nutrition programme. NSNP funds are recognised as a liability when received and recognised as income when the conditions are met.

### **Other income**

8.19. Other income shall be accounted for when the cash is received by the school.

### **Gain on disposal of assets / Profit on sale of assets**

8.20. Profit on sale of assets shall be recognised on the date of sale. Profit or loss on sale of assets consists of the amount by which the cash received for sale of an asset exceeds the amount at which the asset is carried in the accounting records on the date of sale.

### **Rental income**

8.21. Rental income consists of cash or assets received in exchange for use of the school property. Rental income is recognised when it is due.

### **School fees income / Receivable**

8.22. The amount of school fees receivable is calculated based on learner enrolments multiplied by the school's fee amount approved by parents. The amount receivable is recognised when the learners register at the public school.

### **Sales**

8.23. Sales consist of cash received in exchange for goods/services sold. The sales are recognised when the sale is made.

### **Tuck-shop sales**

8.24. Tuck-shop sales consist of cash received in exchange for goods sold. The sale is accounted for or recognized when the cash is received by the school.

### **Interest**

8.25. Accounted for when the cash is received by the school.

### **Learner School Uniform Sales**

8.26. Uniform sales consist of cash or assets received in exchange for uniform purchased by parents or persons from the public for a learner at the school. The sales are recognised when the sale is made and the amount is due.

## **EXPENDITURE**

8.27. Where applicable, a public school shall recognise expenditure using the following accounts and present them on the face of the statement of financial performance:



# basic education

Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA

<b>Account name</b>	<b>Accounting Principles</b>
Bad debts written-off	30
Learner and Teacher Support Material (LTSM)	31
Accommodation	32
Advertising	32
Affiliations	32
Accounting Fees	32
Auditing / Accounting Officer Fees	32
Bank Charges	32
Catering	32
Courier services and Postage	32
Cleaning material	32
Data costs	32
Depreciation: Buildings improvements	32
Depreciation: Furniture, equipment, fixtures and fittings	32
Depreciation: Vehicles	32
Electricity	32
Entertainment	32
Insurance	32
Legal and Consulting fees	32
License fees	32
Loss on disposal of assets	32
Municipal rates and taxes	32
National School Nutrition Programme (NSNP) Supplies	32
Office Stationery	32
Other expenses:(please specify)	32
Repairs and maintenance	32
Rental/lease payments	32
Salaries and wages - Educators	32
Salaries and wages – Admin and Support staff	32
School Fees Exemptions	33
Security	32
Telephone and fax	32
Training and workshop fees	32
Travel and subsistence claims	32
Transport – Teachers	32
Transport – Learners	32
Transport – Other: (please specify)	32
Tuck-shop supplies	32
Water	32
Volunteer stipends – Extracurricular staff	32
Volunteer stipends – NSNP Programme	32
Volunteer stipends – Other	32
School fees settlement discounts	34





## basic education

Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA

8.28. Where the SGB requires additional guidance on the expenditure accounts that should be utilised, the relevant provincial education department can be contacted to provide such guidance.

### **Concepts and principles of expenditure**

8.29. Unless otherwise stated, the expenditure of a public school is recognised when cash is paid.

### **Bad debts written-off**

8.30. The school writes off all amounts owing to the school as bad debts when it is no longer probable / economical that the amounts will be recovered (and the write-off is approved in line with the school's policy).

### **Learner and Teacher Support Material (LTSM) expense**

8.31. The LTSM expense in this regard refers to payment made for the goods received by the school, as such the payment shall be recognised when the payment is due.

### **Other expenses**

8.32. Other expenses are recognised when:

- 8.32.1. payments are due for goods and services rendered;
- 8.32.2. assets are used/reduced; or
- 8.32.3. when liabilities are incurred.

### **School fee exemptions**

8.33. School fee exemptions are determined in accordance with the equitable criteria and procedure approved by the majority of parents for total, partial or conditional exemption of parents who are unable to pay school fees as required by section 39(2)(b) of the SASA. School fee exemptions are recognised when the final approval has been received for the exemptions.

### **School fees settlement discounts**

8.34. Discounts given to parents to encourage payment of school fees are recognised as an expense on the date that the parent meets the conditions for entitlement to the discount. The amount of the discount shall be deducted from the school fees owing by the parent. The amount of the school fees income recognised shall not be reduced by the amount of the discount granted.



## 9. STATEMENT OF FINANCIAL POSITION

- 9.1. The statement of financial position comprises of assets, liabilities and accumulated surplus of the school.
- 9.2. The statement of financial position section of the Guideline discusses the accounts applicable to public schools and the related concepts and principles. The accounting policies and structure of the statement of financial position and other components of the financial statements are included in the illustrative Financial Statements.

### ASSETS

- 9.3. Where applicable, a public school shall recognise assets using the following accounts and present them on the face of the statement of financial position:

Account name	Account principles
<b>Property, plant and equipment</b>	7 and 8
Furniture, equipment, fixtures and fittings	9 and 10
Vehicles	11
<b>Intangible Assets</b>	12
Bank and Cash	13 and 14
Investment	15
Inventory on hand	16
School fees receivables	17
Learner and Teacher Support Material (LTSM)	18
Other assets: (please specify)	19
Inventory at hand: (please specify)	20
Accumulated depreciation: Vehicles	21
Accumulated depreciation: Furniture, equipment, fixtures and fittings	22

- 9.4. Where the SGB requires additional guidance on the assets accounts that should be utilised, the PED can be contacted to provide such guidance.

### Concepts and principles for assets

- 9.5. Unless otherwise stated, assets of public schools are recognised when received by the school and measured at cost. In most cases, cost is the purchase price paid for an item. Where assets are acquired through means other than purchase, such as a donation, cost is the fair value thereof. Fair value is usually its market value which can be determined by appraisal.
- 9.6. Assets are derecognised on disposal. Examples of disposal for the purpose of this Guideline include sale, donation, scrapping or write-off. All cash proceeds



for assets disposed shall be recognised as profit on sale of assets in the statements of financial performance.

### **Property, plant and equipment**

9.7. Property, plant and equipment tangible items that:

- 9.7.1. are held for use in the supply of goods or services, for rental to others, or for administrative purposes; and
- 9.7.2. are expected to be used during more than one reporting period.

9.8. Property, plant and equipment of schools comprise of vehicles, furniture, equipment, fixtures and fittings, and LTSM that they meet the definition of property, plant and equipment.

### **Furniture, equipment, fixtures and fittings**

9.9. Furniture, equipment, fixtures and fitting measured at cost. Where furniture, equipment, fixtures and fittings are acquired through means other than a purchase, such as a donation, cost is the fair value thereof.

9.10. Furniture, equipment, fixtures and fittings are derecognised on disposal. All cash proceeds for disposed furniture, equipment, fixtures and fittings shall be recognized as profit on sale of assets in the statement of financial performance.

### **Vehicles**

9.11. Vehicles are measured at cost. Where vehicles are acquired though means other than a purchase, such as donation, cost is the fair value thereof. Vehicles are derecognised on disposal. All cash proceeds for disposed vehicles shall be recognised as profit on sale of assets in the statement of financial performance.

### **Intangible Assets**

9.12. Intangible assets are non–physical assets expected to be used for a period longer than a year, such as software, patents, trademarks, copyright etc, measured at cost. Where intangible assets are acquired through means other than a purchase, such as donation cost is the fair value thereof. Intangible assets recognised as assets are amortised on the straight-line basis over their expected useful life. The amount of amortisation for the year is included as an expense in the statement of income and expenditure. Intangible assets are derecognised on disposal. All cash proceeds for the disposed intangible assets are derecognised on disposal. All proceeds for disposed intangible assets shall be recognised as profit on sale of assets in the statement of financial performance.

### **Bank and cash**

9.13. Section 37 of SASA requires that the SGB establishes a school fund (or account) and administer it in accordance with the directions issued by the Head of Department. All money received must be paid into the school account.



## basic education

Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA

9.14. The amount comprises of all favorable bank balances of the school's bank account. Bank overdraft is part of liabilities. It also includes petty cash balances as at financial year end.

### **Investment**

9.15. Investment are the monies invested with financial institutions. These include investments in money markets. Investments are measured at a cost. Interest earned on the investments shall be recognised as interest income in the statement of financial performance.

### **Inventory on hand**

9.16. Examples of inventory for schools include printing paper and stationery. Inventory encompasses those goods purchased/produced and held for executing the service delivery mandate of school. It is used in the day to day running of the school and is expected to be used up within 12 months from year end. Inventory on hand at year end shall be measured at the unit cost of the most recent purchase of similar items (i.e. first in first out method). If there is no service potential that item is scrapped.

### **School fees receivables (Owing) / Debtors**

9.17. School fees receivables are recognised when due to the school. The school should determine the school fees amount owing by all learners. At financial year end, the total school fees owing is reduced by school fee exemptions, payments received and bad debts written-off to determine the school fees receivables. (School fees owing are recognised when school fees receivable is recognised. The balance of school fees owing is reduced by school fee exemptions, payments received and bad debts written off).

### **Learner and Teacher Support Material (LTSM)**

9.18. The LTSM in this regard refers to the textbooks and other goods for education provisioning bought for learners and teachers. It shall be recognised when received by the school. The amount of depreciation for the year is included as an expense in the statement of financial performance. They are derecognised on disposal.

### **Other assets**

9.19. Other assets are recognised at cost when an asset is received by the school. Where assets are acquired through means other than a purchase, such as a donation, cost is the fair value thereof. Assets are derecognised on disposal.

### **Inventory on Hand (Including textbooks)**

9.20. Inventory on hand includes textbooks and items that the school has at year end that will be used in the day to day running of the school and is expected to be used up within 12 months from year end. Inventory on hand at year end shall be valued at the unit cost of the most recent purchase of similar items (i.e. first in first out method).



### Accumulated depreciation: Vehicles

9.21. The cost of vehicles purchased is the actual purchase price paid. The cost of vehicles acquired through other means is the value thereof. Vehicles recognised as assets are depreciated on the straight-line basis over their expected useful life. The amount of depreciation for the year is included as an expense in the statement of income and expenditure. Vehicles are derecognised on disposal or write-off.

### Accumulated depreciation: Furniture, equipment, fixtures and fittings

9.22. The cost of furniture, equipment, fixtures and fittings purchased is the actual purchase price paid. The cost of furniture, equipment, fixtures and fittings acquired through other means is the value thereof. Furniture, equipment and fittings recognised as assets are depreciated on the straight-line basis over their expected useful life. The amount of depreciation for the year is included as an expense in the statement of income and expenditure. Furniture, equipment, fixtures and fittings are derecognised on disposal or write-off.

## LIABILITIES

9.23. Where applicable, public school shall recognize liabilities using the following accounts and present them on the face of the statement of financial position:

Account Name	Accounting principles
Conditional allocations due	27
Accounts payables	28
School fees received in advance	29
Other liabilities: (please specify)	30

9.24. Where the governing body requires additional guidance on the liabilities accounts that should be utilised, the relevant provincial education department can be contacted to provide such guidance.

### Concepts and principles of liabilities

9.25. Unless otherwise stated, liabilities of public schools are recognized when they are due to the parties. They are measured as a cost.

9.26. Liabilities includes accounts payables, conditional allocations due by the school and school fees received in advances.

### Conditional allocations due

9.27. Conditional allocations due consist of funds received by the school that are due to the grantor of funds.



### **Accounts payable**

9.28. Accounts payable which are amount due by the school to pay for goods or services that have been received or supplied.

### **School fees received in advance**

9.29. At the financial year end school fees received in advance consist of school payments received in the current year that relate to future years and are recognised as a liability when received.

### **Other liabilities**

9.30. Other liabilities include all amounts owed by the school to third parties other than those specifically identified above. Other liabilities are recognised when they are due. Other liabilities are reduced by payments made or when the debt prescribes.

## **10. NOTES TO THE FINANCIAL STATEMENTS**

10.1. The notes to the financial statements:

- 10.1.1. Shall present information about the basis of preparation of the financial statements and the specific accounting policies used; and
- 10.1.2. May disclose in the summary of significant accounting policies or other notes, the judgement management has made in the process of applying the department's accounting policies that have the most significant effect in the amounts recognised in the financial statements.

### **Grants received**

10.2. The school shall disclose the following in relation to grants received:

- 10.2.1. Identity of the grantor (institution/entity/individual);
- 10.2.2. A brief description and; if any, the conditions attached to each amount received; and
- 10.2.3. Balance as at current financial year end and previous financial year end.

### **Property, plant and equipment**

10.3. The school shall disclose a reconciliation of the opening and closing carrying amount of vehicles, furniture, equipment, fixtures and fittings indicating the following:

- 10.3.1. Purchases; and
- 10.3.2. Disposals.



## basic education

Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA

### **Bank and cash**

- 10.4. The school shall disclose the following for all bank accounts belonging to the school:
- 10.4.1. The institution name or if any, petty cash;
  - 10.4.2. Balance as at current financial year and previous financial year end.

### **Inventory**

- 10.5. The school shall disclose the following for each category of inventory:
- 10.5.1. Description;
  - 10.5.2. Balance as at current financial year and previous financial year end; and
  - 10.5.3. Quantity at current and previous year end.

### **Investment**

- 10.6. The school shall disclose the following category for all investments belonging to the school:
- 10.6.1. Institution name or if any, petty cash;
  - 10.6.2. Type of investment; and
  - 10.6.3. Balance as at current financial year and previous financial year end.

### **Net income from Hostels reconciliation**

- 10.7. The Net income from hostels note shall include the following:
- Total hotel fees;
  - Total hostel expenses; and
  - Net surplus/deficit from hostels.

### **Net income from tuck-shops reconciliation**

- 10.8. The Net income from tuck-shop note shall include the following:
- Total tuck-shop sales;
  - Total tuck-shop expenses; and
  - Net surplus/deficit from tuck shop.

### **Vehicles, furniture, equipment, fixtures and fittings**

- 10.9. The school shall disclose a reconciliation of the opening and closing/carrying amounts of Vehicles, furniture, equipment, fixtures and fittings indicating the following:
- Purchases;
  - Disposals;
  - Depreciation;
  - Derecognition; and
  - Write-offs.



### School fees receivable

10.10. A reconciliation of school fees should be disclosed in the notes. An example is shown below:

	20XX	20YY
	R	R
Opening Balance	Xxx	yyy
Add: school fees raised	Fff	fff'
Less: school fees exemption	(eee)	(eee)'
Less: school fees settlement	(sss)	(sss)'
Less school fees payment received	(rrr)	(rrr)'
Closing balance	xxx + fff – (eee+sss+rrr) = yyy	zzz

### Donations

10.11. The school shall disclose donations received from individuals and entities. These exclude government grants. Identity of the grantor (institution/entity/individuals). A brief description and, if any the conditions attached to each amount received. Balance as at current financial year end and previous end. This is not required for Donations in kind.

### Prior period errors

10.12. Prior period errors are omissions from, and misstatements in, a school's financial statements for one or more prior periods (Only a narrative disclosure is required for prior period errors) arising from a failure to use, or misuse of, reliable information that:

- 10.12.1. was available when financial statements for those periods were authorised for issue; and
- 10.12.2. could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

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

10.14. To the extent practicable, a school shall correct a material prior period error retrospectively in the first financial statements after its discovery by:

- 10.14.1. restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- 10.14.2. if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net asset for the earliest prior period presented.

10.15. When it is impracticable to determine the effects of an error on comparative Information for one or more prior periods presented, the school 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).

- 10.16. A school shall disclose the following about prior period errors:
- 10.16.1. the nature of the prior period error;
  - 10.16.2. for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected;
  - 10.16.3. to the extent practicable, the amount of the correction at the beginning of the earliest prior period presented; and
  - 10.16.4. an explanation if it is not practicable to determine the amounts to be disclosed in (b) or (c).
- 10.17. Financial statements of subsequent periods need not repeat these disclosures.

**Accounting for transactions not addressed by these guidelines**

- 10.18. If these guidelines specifically address a transaction, other event or condition, a school shall apply these guidelines. If these guidelines do not specifically address a transaction, other event or condition, the school's governing body shall use its judgement in developing and applying an accounting policy that results in information that is relevant to the economic decision-making needs of users and is reliable.
- 10.19. In making such judgements, the governing body shall refer to, and consider the applicability of, the following sources in descending order: a) the requirements and guidance in these guidelines dealing with similar and related issues; and b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses and the fundamental principles and concept outlined in these guidelines.
- 10.20. In making the judgements above, management may also consider the requirements and guidance in other financial reporting standards dealing with similar and related issues.