

**Annual Financial  
Statements 2020/21**

**FREQUENTLY ASKED QUESTIONS  
(FAQs)**

# Modified Cash Standard



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**



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## 1. Introduction

The Frequently Asked Questions (FAQs) are based on queries commonly received from the stakeholders involved with preparation and finalisation of financial statements in accordance with the Modified Cash Standard (MCS). These FAQ's should be considered for preparation and finalisation of the Annual Financial Statements for the 2020/21 financial year and reporting periods thereafter.

These FAQs are not authoritative and do not form part of the Modified Cash Standard (MCS). Any examples provided are illustrative only and do not represent a comprehensive list of scenarios or circumstances that may exist in practice. As a result, the examples are not prescriptive and should not be used by analogy to other circumstances unless expressly stated otherwise.

## 2. Frequently Asked Questions (FAQs)

### CHAPTER 14: Provisions and Contingents

#### **14.1 Should a department disclose the public sector salary increases dispute for the 2020/21 financial year as a contingent liability?**

The Labour Appeal Court (LAC) declared the salary increases for the 2020/2021 financial year unlawful and invalid. The matter has been referred to the Constitutional Court and will be heard after the reporting date. The outcome of the matter will be determined by the Constitutional Court. This gives rise to a possible obligation whose existence will be confirmed only by an uncertain future Constitutional Court ruling which is not within the control of the department. Therefore, a narrative for a contingent liability should be disclosed in the notes to the financial statements.

A department may consider using the narrative below in the note on contingent liabilities:

*The Labour Appeal Court (LAC) declared the salary increases for the 2020/2021 financial year unlawful and invalid. The LAC ruling has been appealed and referred to the Constitutional Court. The ruling by the Constitutional Court will confirm if the department will be obligated to pay the salary increases in dispute.*

## AFS SPECIMEN

### 21.1 *Where the accounting for a transfer of functions is incomplete, how will a department disclose this in the AFS Specimen?*

Where the accounting for a transfer of function is incomplete, the department should **add** a narrative block in Note 46.1 (below the other narrative blocks of 46.1.2), and include information as required by par .47 of the MCS Chapter on *Transfer of Functions*.

*Add the following narrative and complete:*

*Where the accounting for the transfer of functions is incomplete, include information as required by paragraph .47*

***[Transfer of Functions par .47]***

### 21.2 *Where the accounting for a merger is incomplete, how will a department disclose this in the AFS Specimen?*

Where the accounting for a merger is incomplete, the department should **add** a narrative block in Note 46.2 (below the other narrative blocks of 46.2.2) and include information as required by par 39. of the MCS Chapter on *Mergers*.

*Add the following narrative and complete:*

*Where the accounting for the merger is incomplete, include information as required by paragraph .39*

***[Mergers par .39]***