



# national treasury

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

**TO ALL:            ACCOUNTING OFFICERS OF DEPARTMENTS  
                      HEAD OFFICIALS OF PROVINCIAL TREASURIES  
                      PROVINCIAL ACCOUNTANTS-GENERAL**

## **NATIONAL TREASURY INSTRUCTION NO. 1 OF 2023/2024**

### **MODIFIED CASH STANDARD**

#### **1. PURPOSE**

The purpose of this Treasury Instruction is to prescribe the Modified Cash Standard (**Annexure A**) for application by departments, except government components applying generally recognised accounting practice.

#### **2. BACKGROUND**

2.1 Section 40(1)(b) of the Public Finance Management Act, 1999 (Act No. 1 of 1999 – the PFMA) requires the accounting officer for a department to “*prepare financial statements for each financial year in accordance with generally recognised accounting practice.*” The generally recognised accounting practice as envisaged in section 40(1)(b) of the PFMA has, to date not been prescribed for application by departments.

2.2 Treasury Regulation 18.2 provides that in the absence of any implementation dates for the application of the standards referred to in section 40(1)(b) of the PFMA, generally recognised accounting practice shall comprise of financial statements prepared on a modified cash basis in respect of national and provincial revenue funds and national and provincial departments. To make the application of this requirement clear, Government Notice 322 of 8 April 2021 (**Annexure B**) exempts national and provincial departments and government components applying Modified Cash Standard (MCS) from complying with section 40(1)(b) of the PFMA for a period of five years.

2.3 The modified cash basis has been developed by National Treasury into a norm and standard, as permitted in section 6(2)(a) read with section 6(1)(g) of the PFMA, and is referred to as the Modified Cash Standard (MCS).

#### **3. MODIFIED CASH STANDARD**

3.1 The MCS (**Annexure A**) is hereby prescribed for application by departments, except government components already applying the Standards of GRAP.

3.2 The MCS sets out the principles and rules for the recognition, recording, measurement, presentation and disclosure of information in the annual financial statements and notes

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thereto. Departments must comply with the requirements in the MCS in order to achieve fair presentation and compliance with the PFMA.

- 3.3 All supplementary information or guidance on the MCS is available on the website of the National Treasury's Office of the Accountant-General.

**4. APPLICABILITY**

- 4.1 This Treasury Instruction applies to all departments. Government components that applied the MCS in the 2021/2022 financial year may continue to apply MCS for financial reporting purposes until indicated otherwise.

**5. EFFECTIVE DATE**

This Treasury Instruction applies to the financial statements prepared for the financial year commencing on 1 April 2023.

**6. DISSEMINATION OF INFORMATION CONTAINED IN THIS TREASURY INSTRUCTION**

- 6.1 Head officials of provincial treasuries are requested to bring the contents of this Treasury Instruction to the attention of all accounting officers of departments in their respective provinces.
- 6.2 Accounting officers of national and provincial departments must bring the contents of this Treasury Instruction to the attention of chief financial officers in their respective departments.

**7. REPEAL**

- 7.1 Treasury Instruction No. 1 of 2022/2023 is hereby repealed.

**8. AUTHORITY FOR THIS INSTRUCTION**

- 8.1 This Treasury Instruction is issued in terms of section 76(4)(a) of the PFMA, read with section 6(2)(a) of the PFMA.

**9. CONTACT INFORMATION**

Enquires related to this Treasury Instruction may be directed to:

Lindy Bodewig  
Chief Director: Technical Support Services  
Email: [lindy.bodewig@treasury.gov.za](mailto:lindy.bodewig@treasury.gov.za)



**SHABEER KHAN**  
**ACCOUNTANT-GENERAL**  
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