The Basic Accounting Handbook strives to provide basic guidance when recording financial transactions in accordance with the Public Finance Management Act (PFMA, Act No.1 of 1999 as amended by Act 29 of 1999), Treasury Regulations and directives that have been introduced by the National Treasury.

The purpose of the Handbook is to assist financial practitioners at government departments to accurately record financial transactions and offers a bottom-up approach to improving the quality of financial statements compiled the end of each financial year. The Basic Accounting Handbook is intended for all finance practitioners working in government departments.

Information presented in the Handbook takes cognisance of existing financial management manuals and similar guidelines previously circulated by the National Treasury; these have been used as reference material for the compilation of the Accounting Handbook.

The Office of the Accountant-General compiles an annual Departmental Financial Reporting Framework, commonly referred to as the AFS Prep Guide, to assist departments with the compilation of the annual financial statements. During the process of compiling the Basic Accounting Handbook it was decided, within the consultation process, to distinguish the Basic Accounting Handbook from the Departmental Reporting Framework Guide, as a practical handbook that provides “how to” information and much of the Handbook content was derived from the AFS Framework Guide. Future publications of the Departmental Reporting Framework will mainly provide accounting policy information and related guidance for the compilation of the AFS.

In summary, the Basic Accounting Handbook draws on the strength of existing accounting manuals and guideline documents. This Handbook should be viewed as a living document which will be updated and enhanced as policies, procedures and guidelines may change over time. Furthermore, it is seen as a step towards providing detailed basic accounting guidance, and will be expanded with more detail in due course.
**Legislative Framework**


- Generally Recognised Accounting Practice (GRAP);
- Uniform expenditure classifications; and
- Uniform treasury norms and standards.

The Act promotes good financial management in order to maximise service delivery through the effective and efficient use of the limited resources. The key objective of the Act may be summarized as providing the legislative framework for:

- Modernising the system of financial management in the public sector;
- Enabling public sector managers to manage, but at the same time be held more accountable;
- Ensuring the timely provision of quality information; and
- Eliminating waste and corruption when deploying public assets.

The PFMA adopts an approach to financial management that focuses on outputs and responsibilities rather than the rule driven approach of the previous Exchequer Acts. The Act is part of a broader strategy on improving financial management in the public sector. It assumes that the political head of a department (Cabinet Minister or a provincial MEC) is responsible for policy matters and outcomes; and the head official (Director-General of a national department or provincial head of department) is responsible for outputs and implementation. In this regard the head of department, or accounting officer, is accountable to Parliament or provincial legislature for the management of the implementation of that budget.

This Act confers four key responsibilities to accounting officers, including:

- The operation of basic financial management systems, including internal controls in departments and any entities they control;
- To ensure that departments do not overspend their budgets;
- To report on a monthly and annual basis, including the submission of annual financial statements two months after the end of a financial year; and
- To publish annual reports in a prescribed format which will introduce performance reporting. Accounting officers who are negligent and make no effort to comply with these responsibilities will face strict disciplinary sanctions, including dismissal. Similar sanctions will apply to treasury officials failing to carry out their responsibilities. The new Public Service Act
regulations and the trend towards performance contracts will complement this approach. Accounting officers are expected to appoint chief financial officers as part of their senior management to enable them to fulfil these responsibilities.

It is the collective responsibility of all financial practitioners in a department to ensure that the organisation manages resources in a responsible, disciplined and systematic manner at all times. This accounting handbook aims to contribute to the objectives of the PFMA by offering the operational principles for recording financial transactions in the public environment. A summary of the sections of this handbook is included below.

**Summary of the Sections**

1. **Fundamental Accounting Concepts**
   This section aims to provide a basic understanding of the fundamental accounting concepts required for maintaining accounting records. The information presented in this chapter is intended to provide the basic accounting information for finance practitioners who lack formal accounting training.

2. **BAS and the Standard Chart of Accounts**
   This section introduces the Standard Chart of Accounts (SCoA) in terms of its structure, followed by some focus on the way that the Basic Accounting System (BAS) is organised to facilitate transaction processing for cash accounting.

3. **Receipts**
   This section recognises diverse sources of receipts in accordance with the Standard Chart of Accounts classification and the accounting entries required to capture the receipt transactions in BAS.

4. **Payments**
   This section offers guidance on the different payment types in accordance with the Standard Chart of Accounts classification and the accounting entries required to capture expenditure transactions in BAS.

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