



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. 3 OF 2024/2025
MODIFIED CASH STANDARD**

1. PURPOSE

The purpose of this National Treasury Instruction ("the Instruction") is to prescribe as out in **Annexure A**, the Modified Cash Standard ('MCS') for application by departments.

2. BACKGROUND

- 2.1 Section 6(2)(a) of the Public Finance Management Act, 1999 (Act No. 1 of 1999 – 'the PFMA'), states that to the extent necessary to perform the functions set out in section 6(1)(g) of the PFMA, the National Treasury must prescribe norms and standards.
- 2.2 Section 40(1)(b) of 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 contemplated in section 40(1)(b) of the PFMA has not, to date, been prescribed for application by departments.
- 2.3 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 as well as national and provincial departments.
- 2.4 The Minister of Finance has, in terms of section 92 of the PFMA, exempted national and provincial departments and government components applying MCS from complying with section 40(1)(b) of the PFMA for a period of five years by Government Gazette 44426, Notice No. 322 of 8 April 2021 (**Annexure B**).

3. MODIFIED CASH STANDARD

- 3.1 The MCS is hereby prescribed for application by departments.

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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 related notes. The departments must comply with the requirements in the MCS to achieve a 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 on the following link:
<https://ag.treasury.gov.za/org/tss/Shared%20Documents/Forms/AllItems.aspx>

4. APPLICABILITY

This Instruction applies to all departments and government components that apply MCS.

5. EFFECTIVE DATE

This Instruction applies to the financial statements prepared for the financial year commencing on 1 April 2026.

6. DISSEMINATION OF INFORMATION

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

National Treasury Instruction No. 1 of 2023/2024 and National Treasury Instruction No. 6 of 2023/2024 are repealed with effect from 1 April 2026.

8. AUTHORITY

This National Treasury Instruction is issued in terms of sections 6(1)(g), 6(2)(a) and 76(2)(a) of the PFMA.

9. CONTACT INFORMATION

Enquires related to this National Treasury Instruction may be directed to
oagqueries@treasury.gov.za.

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Signed by: Duncan Etienne Pieterse
Signed at: 2025-04-01 11:06:18 +02:00
Reason: Witnessing Duncan Etienne Piet



DUNCAN PIETERSE
DIRECTOR GENERAL
DATE: