



Australian Government

Department of Finance and Deregulation

**FINANCE MINISTER'S ORDERS FOR FINANCIAL
REPORTING (INCORPORATING POLICY AND
GUIDANCE)**

**REQUIREMENTS AND GUIDANCE FOR THE PREPARATION OF
FINANCIAL STATEMENTS OF AUSTRALIAN GOVERNMENT
ENTITIES FOR REPORTING PERIODS ENDING ON OR AFTER
1 JULY 2011**

ACCOUNTING POLICY BRANCH
FINANCIAL REPORTING AND CASH MANAGEMENT DIVISION
FINANCIAL MANAGEMENT GROUP

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Part A INTRODUCTION

OVERVIEW

Part A sets out the purpose, authority and structure of this schedule and assists entities by providing references to further information.

Part A comprises the following divisions:

- Division 1 Legislative Authority - outlines the authority of this schedule under the *FMA Act* and the *CAC Act* and the period to which this schedule applies;
- Division 2 Content, Philosophy and Structure - describes the content, philosophy and structure of this schedule, including the purpose, the prescriptive/non-prescriptive nature of information presented as black letter legislation, policy and guidance. The division also describes the numbering conventions used in this schedule; and
- Division 3 Further Information - provides further references relating to financial reporting requirements for Australian Government entities.

1 *Legislative Authority*

1.1 The Finance Minister makes:

- (a) the *Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 1 July 2010)* under [FMA Act subsection 63\(1\)](#); and
- (b) the *Commonwealth Authorities and Companies Orders (Financial Statements for reporting periods ending on or after 1 July 2010)* under [CAC subsection 48\(1\)](#).

1.2 These Orders apply to:

- (a) all bodies subject to the [FMA Act](#);
- (b) statutory authorities subject to the [CAC Act](#); and
- (c) certain Commonwealth bodies that are not subject to either Act, for whom it is appropriate to report on a consistent basis to those entities covered by (a) and (b).

- 1.3** These Orders form part of the financial reporting framework for Australian Government entities. Elements and requirements of the framework are set out in [Division 8](#).
- 1.4** Where a choice of accounting policy is required to be made that is not covered by these Orders, and an accounting treatment that is consistent with GFS is available, that treatment must be applied.

GUIDANCE

CAC Act and FMA Act Orders

- 1.71G The purpose of having standard requirements for Government entities is to achieve uniformity in financial reporting and to assist in the preparation of the Australian Government's consolidated financial statements as required under [FMA Act section 55](#).
- 1.72G Further information can be found in the [Finance Minister's Orders User Guide](#).

2 Content, Philosophy and Structure

Content

- 2.1 The content of this schedule is built around:**
- (a) mandatory compliance with AAS;**
 - (b) general enabling information (e.g., definitions, rounding and materiality policies);**
 - (c) additional disclosures not covered by AAS (e.g., appropriation disclosures); and**
 - (d) mandating options with choice for where AAS allows choice (e.g., mandatory use of the valuation method for property, plant and equipment and administered disclosures).**

Philosophy

- 2.2 The philosophy adopted in preparation of this schedule is that this schedule:**
- (a) will not duplicate or re-state accounting standards;**
 - (b) is not a “training tool”;**
 - (c) should be logically arranged; and**
 - (d) should be written as close to “plain English” as is feasible for a technical document.**

Structural conventions

- 2.3 The following conventions are used within this schedule:**
- (a) major components are parts, denoted by an upper case letter. For example, [Part A](#);**
 - (b) parts are broken into divisions, denoted by a whole number. For example, [Division 1](#); and**
 - (c) divisions are further broken into sections. For example, [section 1.1](#).**

GUIDANCE

This document

- 2.71G Finance publishes this document, which includes Schedule 1 of the Orders referred to in [section 1.1](#) and related policy and guidance.
- 2.72G The bold black text in this document is a reproduction of Schedule 1 of the Orders (in this document, it is referred to as the 'black letter'), which:
- (a) are mandatory principles, bases or rules made by the Finance Minister for preparing and presenting general purpose financial reports of Australian Government entities;
 - (b) clarify accounting treatments in AAS, other authoritative pronouncements of the AASB or legislation with whole-of-Government application; and/or
 - (c) specify the accounting treatment to be applied when the AAS or legislation permit choice.
- 2.73G Additional materials not forming part of the Orders are also published in this document. They consist of:
- (a) policies that are prescriptive principles, bases or rules that support the Orders. These are mandatory; and
 - (b) guidance which are intended to assist in interpreting the black letter and policy.
- 2.74G Policy sections have section numbers with the letter P suffix. For example, [section 6.51P](#).
- 2.75G Guidance sections have section numbers with the letter G suffix. For example, [section 2.72G](#).

PRIMA documents

- 2.76G The PRIMA Forms are policy, and therefore are mandatory, subject to [Part K](#).
- 2.77G The PRIMA Illustrative and Templates are guidance.

3 Further Information

GUIDANCE

- 3.71G For the latest legislation, policy and guidance releases for financial reporting by Australian Government entities and additional information to that listed below, refer to www.finance.gov.au.
- 3.72G Additional references include:
- [Accounting Guidance Notes](#);
 - [AAS](#) issued by the [AASB](#);
 - [AASB Interpretations](#);
 - [AASB Framework for the Preparation and Presentation of Financial Statements](#);
 - [Statements of Accounting Concepts \(SACs\)](#);
 - [Finance Briefs](#);
 - [Finance Circulars](#);
 - [Finance Minister's Orders User Guide](#);
 - [Financial Management Guidance](#);
 - Estimates Memoranda;
 - [FMA Act](#);
 - [Financial Management and Accountability Regulations 1997](#);
 - [CAC Act](#);
 - [Commonwealth Authorities and Companies Regulations 1997](#);
 - [Commonwealth Authorities and Companies \(Report of Operations\) Orders 2008](#);
 - [Corporations Act 2001](#); and
 - [Australian System of Government Finance Statistics](#).

Part B DEFINITIONS AND ABBREVIATIONS

OVERVIEW

Part B defines key terms and abbreviations used throughout this document.

4 *Definitions*

Administrative Arrangements Order (AAO)	The AAO, issued from time to time by the Governor-General, establishes the matters to be dealt with by each Department of State, and the <i>Acts</i> of Parliament to be administered by each Minister.
Administered Investments	Administered investment is defined for the purpose of this schedule as an interest by the Australian Government in a subsidiary, associate or jointly controlled operation or entity that is disclosed in the financial statements of an agency on behalf of the Australian Government.
Administered	Those items that an agency does not control but over which it has management responsibility on behalf of the Government and which are subject to prescriptive rules or conditions established by legislation, or Australian Government policy, in order to achieve Australian Government outcomes. Refer to Division 15 for further information.
Agency	As defined in FMA Act section 5 .
Appropriation	For the purposes of this schedule, an authority under any <i>Act</i> or law to draw money from the CRF, whether or not the law concerned used the word appropriation or appropriated.
Appropriations for payment to CAC Act bodies	Same meaning as ‘CAC Act body payment item’ in <i>Appropriation Acts 1-6</i> .
Australian Accounting Standards (AAS)	AAS released by the AASB .

Australian Government	All bodies that comprise the public sector at the national level. This includes the Commonwealth, office holders, statutory corporations and their subsidiaries.
Authority	A Commonwealth authority as defined in CAC Act section 7 . Also referred to in this schedule as a <i>CAC Act</i> entity, authority or body.
Business Operation/s	A function or functions within an agency that have been determined to be a business operation pursuant to FMA Regs section 5A . Schedule 1 of the Determination of Business Operations under Financial Management and Accountability Regulations 1997 lists activities that must be treated as business operations.
Collection Institutions	Comprise the following entities: <ul style="list-style-type: none"> (a) Australian Institute of Aboriginal and Torres Strait Islander Studies; (b) Australian National Maritime Museum; (c) Australian War Memorial; (d) National Archives of Australia; (e) National Film and Sound Archive; (f) National Gallery of Australia; (g) National Library of Australia; (h) National Museum of Australia; and (i) Old Parliament House.
Commitments	Commitments: <ul style="list-style-type: none"> (a) are intentions to create liabilities or assets for the receiving entity, as evidenced by undertakings or agreements to make/obtain future payments to/from other entities; and (b) are executory contracts that are not recognised under AASB 137 Provisions, Contingent Liabilities and Contingent Assets (i.e., not onerous); but (c) do not include future year appropriations.
Commonwealth	The legal entity of the Commonwealth of Australia, created by the Australian Constitution .
Concessional Loan	A loan provided on more favourable terms than the borrower could obtain in the market place. The

concession provided may be in the form of lower than market interest rates, longer loan maturity or grace periods before the payment of the principal or interest.

Consolidated Financial Statements (CFS)	The CFS for the Australian Government are the annual, end-of-year financial statements prepared under FMA Act section 55 and in accordance with AAS. The CFS present the consolidated results for the Australian Government as well as disaggregated information on the various sectors of government (GGS, PNFCs and PFCs).
Cost Recovery	As defined in Finance Circular 2005/09 and the Australian Government Cost Recovery Guidelines .
Departmental	Those items that the entity controls that are applied to the production of the entity's own purposes. Refer to Division 15 for further information.
Departmental supplementation	Supplementation for work agencies were directed by government to undertake in a financial year but after the last date for inclusion in the last set of appropriation Bills prepared for the financial year. Agencies are expected to meet the cost of these activities from their existing appropriations, which will then be replenished by a departmental appropriation in the following financial year.
Employee	<p>An individual who renders personal services to an entity and is either regarded as an employee for legal or tax purposes, works for an entity under the direction of the entity in the same way as an individual who is regarded as an employee for legal or tax purposes, or renders services in a similar way to individuals regarded as employees for legal or tax purposes.</p> <p>(derived from AASB 2 Appendix A)</p>
Entity	<p>Refers to:</p> <ul style="list-style-type: none">(a) an agency;(b) an authority;(c) an economic entity - comprising the agency or authority and its subsidiaries; and(d) each activity or activities of an agency which is/are determined to be a business operation.

For the purpose of this schedule, Commonwealth Companies incorporated under the [Corporations Act 2001](#) do not fall under this definition except to the extent that they form part of an economic entity referred to above.

Finance Chief Executive	Secretary of the Department of Finance and Deregulation.
Finance Minister	Minister for Finance and Deregulation.
Financial Report/Statements	<p>Comprises:</p> <ul style="list-style-type: none">(a) the primary financial statements, schedules and notes required by this schedule; and(b) other certificates, reports and notes which are:<ul style="list-style-type: none">i. prepared in relation to the agency or authority (where the agency or authority is a parent entity, the economic entity comprising the agency or authority and its subsidiaries); andii. attached to or intended to be read with the statements and notes in (a); <p>but not including the:</p> <ul style="list-style-type: none">i. auditor's report;ii. annual report; oriii. additional supplementary information that is not audited. <p>Financial report as used in this schedule must be taken to have the same meaning as the term financial statements applied in the FMA Act and CAC Act.</p>
For-Profit Entities	Any entity that does not meet the definition of a not-for-profit entity.
General Government Sector	<p>Institutional sector comprising all government units and non-profit institutions controlled and mainly financed by government.</p> <p>(Australian System of Government Finance Statistics)</p>
Government Business Enterprises	<p>A Commonwealth authority or Commonwealth company that is prescribed as a GBE under the Commonwealth Authorities and Companies Regulations 1997.</p>

Grants	Contributions of Government resources to or from a unit of Government for specific or general purposes where there is no expectation that the amount will be repaid in equal value, either by money or goods/ services. Grants can take the form of money, property or technical assistance and subsidies. (See also AASB 120 para. 3 and the Australian System of Government Finance Statistics)
Heritage and Cultural Assets	<p>Assets that are:</p> <ul style="list-style-type: none"> (a) used for the community's benefit; (b) represent, in part, Australia's cultural and historic background; and (c) are primarily used for purposes that relate to their cultural, environmental or historical significance. <p>Heritage and cultural assets do not include structures constructed to assist with the display, transport or storage of the item, unless the structure has such heritage value in its own right or is an integral part of the asset.</p>
Indefinite Useful Life	Where there is no foreseeable end to the period over which future economic benefits are expected to be generated by the asset for the entity. This does not mean the asset has an infinite useful life, but that the entity has the ability and intention to maintain the asset indefinitely in close approximation to its present state.
Outcomes	The results, impacts or consequences of actions by the Australian Government on the Australian community that the Government wishes to achieve. For reporting purposes outcomes equate to major activities in AASB 1052 .
Outsider	Any person other than the Commonwealth, an official or a Minister. (FMA Act section 12 (3))
Own-Source Income	Consists of all income except: <ul style="list-style-type: none"> (a) annual appropriations; (b) special appropriations; and

- (c) amounts appropriated to the relevant portfolio agency for payment to the *CAC Act* authority (*CAC Act* body payment item).

It includes [FMA Act section 31](#) relevant agency receipts and is adjusted for any repayments made under [FMA Act section 28](#).

Performance Guarantee	A guarantee of another entity's performance of services to a third party, which may or may not create a financial obligation for the guarantor in the event of non-performance. A performance guarantee is not a financial guarantee.
Personal Benefit Payments	Current transfers for the benefit of individuals or households (for example, child care and family tax benefits), directly or indirectly, that do not require any economic benefit to flow back to Government.
Primary Financial Statements	The statement of comprehensive income, balance sheet, statement of changes in equity and cash flow statement.
Public Financial Corporations	As defined in the Australian System of Government Finance Statistics . These entities are listed in the flipchart of FMA Act Agencies / CAC Act Bodies or List of Australian Government Bodies and Governance Relationships as at 1 October 2009 available from Finance's website.
Public Non-Financial Corporations	As defined in the Australian System of Government Finance Statistics . These entities are listed in the flipchart of FMA Act Agencies / CAC Act Bodies or List of Australian Government Bodies and Governance Relationships as at 1 October 2009 available from Finance's website.
Public Money	As defined in FMA Act section 5 .
Resources Received Free of Charge	Goods or services received for no or nominal consideration that would otherwise have been purchased and can be reliably measured.
Responsible entity	The entity named in the relevant legislation or if not named, the portfolio department, unless determined otherwise by the relevant Minister.
Statutory charges	Non-reciprocal charges imposed by Government.

Subsidies	As defined in the <i>Australian System of Government Finance Statistics</i> .
Transfer Payments	<p>Payments that an entity does not control, but is responsible for transferring to eligible recipients (under legislation or some other authority). Transfer payments may include:</p> <ul style="list-style-type: none"> (a) personal benefit payments such as: <ul style="list-style-type: none"> (i) unemployment benefits; (ii) family allowances; and (iii) age and invalid pensions; (b) disaster relief; and (c) grants and subsidies made to other entities.

POLICY

AASB glossary

4.51P Subject to key terms defined under this division, all other key terms have the same definition as specified in '[AASB Glossary of Defined Terms](#)' issued by the AASB as updated from time to time.

5 Abbreviations

AAO	Administrative Arrangements Order
AAS	<u>Australian Accounting Standards</u> (issued by the AASB or its predecessor bodies)
AASB	The Australian Accounting Standards Board established under the <u>Australian Securities and Investments Commission Act 2001</u>, or the AAS issued by the Board, as the case requires
AFM	Advance to the Finance Minister
ANAO	Australian National Audit Office
APS	Australian Public Sector (or Service)
ATO	Australian Taxation Office
Aus	Paragraphs in the AAS or AASB Interpretations that do not appear in the text of the IASB Framework or Standards are identified with the prefix Aus, followed by the number of the relevant AASB paragraph
CAC Act	The <u>Commonwealth Authorities and Companies Act 1997</u>
CFO	Chief Financial Officer or Chief Finance Officer
CN	Competitive Neutrality
CRF	Consolidated Revenue Fund
CSS	<u>Commonwealth Superannuation Scheme</u>
Finance	Department of Finance and Deregulation
FMA Act	The <u>Financial Management and Accountability Act 1997</u>
FMA Regs	The <u>Financial Management and Accountability Regulations 1997</u>
FMOs	The <i>Financial Management and Accountability Orders (Financial Statements for Reporting Periods Ending on or after 1 July 2010)</i> made by the Finance Minister under the

authority of [FMA Act section 63](#) and the *Commonwealth Authorities and Companies Orders (Financial Statements for Periods Ending on or after 1 July 2010)* made by the Finance Minister under the authority of [CAC Act section 48](#)

FTE	Full-time Equivalent
FVTPL	Fair Value Through Profit and Loss
GBE	Government Business Enterprise
GFS	Government Finance Statistics as set out in the Australian System of Government Finance Statistics.
GGG	General Government Sector
LSL	Long Service Leave
MSBS	Military Superannuation and Benefits Scheme
OPA	Official Public Account
PFC	Public Financial Corporation
PNFC	Public Non-Financial Corporation
PRIMA	Primary Reporting and Information Management Aid
PRIMA Forms	PRIMA Forms of Financial Statements
PS Act	Public Service Act 1999
PSS	Public Sector Superannuation Scheme
SAC	Statements of Accounting Concepts issued by the AASB (or predecessor)
TER	Tax Equivalent Regime

Part C APPLICATION AND PRESENTATION

OVERVIEW

Part C outlines how and when this schedule must be applied and by which entities, and outlines requirements for particular aspects of presentation.

6 Commencement

6.1 This schedule applies to:

- (a) entities preparing financial statements for reporting periods ending on or after 1 July 2011;**
- (b) financial statements for entities that cease to exist on or after 1 July 2011; and**
- (c) entities that have reporting periods ending on 31 December 2011.**

6.2 These requirements replace previously published FMOs.

7 Applicable Entities

7.1 Financial statements must be prepared for the following:

- (a) each agency and authority that it is not the parent entity in an economic entity;**
- (b) each economic entity, comprising the agency or authority and its subsidiaries; and**
- (c) each business operation.**

7.2 Where an agency or an authority is the parent entity in an economic entity, it must either:

- (a) prepare parent entity financial statements as well as consolidated financial statements; or**
- (b) disclose parent entity supplementary information as prescribed in [Reg 2M.3.01 of the Corporations Regulations 2001](#) and [section 23.19\(b\)](#) in a note to the consolidated financial statements of the economic entity.**

GUIDANCE

Business operations

7.71G The practical effect of section 7.1 is that entities must prepare separate financial statements for each business operation, in addition to presenting this information in their own financial statements.

8 Authoritative Requirements

8.1 Where there is a conflict between this schedule and any other authoritative requirements in [section 8.2](#), entities must apply the provisions in this schedule.

8.2 Subject to [section 8.1](#), the financial statements of each entity must:

(a) comply with:

- (i) all applicable requirements of this schedule and other policies issued by Finance relevant to the preparation of financial statements; and
- (ii) applicable AAS and interpretations issued by the AASB that apply for the reporting period; and

(b) have regard to:

- (i) guidance to this schedule;
- (ii) the [Statements of Accounting Concepts 1 and 2](#) (SACs);
- (iii) the [AASB Framework for the Preparation and Presentation of Financial Statements](#); and
- (iv) Estimates Memorandums, [Finance Briefs](#), [Finance Circulars](#), [Financial Management Guidance](#) series, [Accounting Guidance Notes](#) and other guidance issued by Finance.

GUIDANCE

Have regard to

- 8.71G In the context of the FMOs, the phrase ‘have regard to’ (as used in [section 8.2\(b\)](#)) imposes a positive obligation to consider – entities must ‘turn their minds’ to the principle. This means entities must take the principles contained in relevant documents into account, consider them and give due weight to them as a fundamental element in making the decision.
- 8.72G The principles contained in the relevant documents, although not set out explicitly in the FMOs, are of such importance that, if regard is not had to them, the process cannot be said to have been properly undertaken.
- 8.73G If entities do not apply a principle, they should be able to demonstrate, if required, that they have considered it, provided it due weight, and determined that it is not relevant to their situation. This will generally be difficult in the context of the FMOs unless the relevant section has prescriptive aspects, for example, where the principle applies exclusively to situation A, B and C and the entity is clearly dealing with situation Z. Merely asserting that the entity has had regard to the principles will be insufficient. Entities should document their reasoning.
- 8.74G An unfavourable operating result (or other unfavourable accounting or budgetary outcome) is never proof that a principle doesn’t apply to an entity. Attempting to use this (or a similar) situation as justification will demonstrate that the entity has not actually had regard to the principle.

SACs and Framework for the Preparation and Presentation of Financial Statements

- 8.75G By themselves the SACs and the *Framework for the Preparation and Presentation of Financial Statements* are not mandatory in the preparation or presentation of an entity’s financial statements. SACs and the Framework are sources of guidance to which entities should make reference if there is no AAS or Interpretation (refer to [AASB 1048](#)) dealing with an accounting treatment or disclosure issue.

9 Financial Reporting Structure and Form

- 9.1** This schedule applies to both departmental and administered financial statements, unless otherwise specified.
- 9.2** The financial statements of each entity must:
- (a) include the primary financial statements, schedules and notes as prescribed in [Part K](#);
 - (b) be presented in the English language and Australian dollars;
 - (c) for entities that operate on a for-profit basis, disclose that fact;
 - (d) disclose comparative information, unless not required by this schedule or AAS;
 - (e) include sub-total rows and/or columns (as prescribed in the [Part K](#)) as required to reconcile to line items on the face of the primary statements; and
 - (f) be presented in the following order:
 - (i) statement required by [Division 14](#);
 - (ii) departmental primary financial statements (statement of comprehensive income, balance sheet, statement of changes in equity and cash flow statement);
 - (iii) administered primary financial statements; and
 - (iv) schedules and notes to the financial statements.

GUIDANCE

Professional judgement

9.71G If an entity encounters an issue that requires professional judgement (e.g., whether reclassification of a comparative amount is impracticable as per [AASB 101](#)), the entity should develop a formal position on the issue and inform their auditors as early as possible.

Applying the third balance sheet

9.72G AASB 101 requires that where an entity applies an accounting policy retrospectively, that entity should make a retrospective restatement of items in their financial statements or reclassify items in their financial statements.

Associated note information

9.73G Associated note information is only required for line items affected by the retrospective restatement or the reclassification that necessitated presentation of that balance sheet. Where associated note information is not affected by retrospective adjustment, a third column would not be needed. Examples of this might include:

- (a) those notes relating to balance sheet items that have not changed;
- (b) information in notes that does not relate to the changes in balance sheet numbers, such as additional disclosures for financial instruments, insurance and superannuation commitments; and
- (c) schedules of movements between opening and closing balances (i.e., those that already include comparative year disclosures) – since the comparative opening balance will “automatically” be adjusted.

Not required for a ‘third balance sheet’

9.74G Retrospective reclassifications between line items in the operating statement or between line items in the cash flow statement, that do not result in any change to the balance sheet, do not give rise to a requirement for a ‘third balance sheet’.

Cross-referencing

9.75G Each disclosure required by this schedule should be cross-referenced with other relevant notes, and/or schedules in accordance with the requirements of AAS (e.g., [AASB 101 para. 113](#)). Any other cross-referencing should be included where it provides useful additional information.

10 Simplified Reporting

- 10.1** Entities may adopt the simplified reporting provisions set out in this division subject to [section 8.2](#) and the order of disclosures outlined in [Part K](#).
- 10.2** In relation to Compensation and Debt Relief in Special Circumstances (see [Division 122](#)), an entity that has no transactions in either the current reporting or any comparative period, must disclose that fact by way of a note.
- 10.3** Where there are no commitments or contingencies in either the current or the immediately preceding reporting periods, it is not necessary to include a schedule for such items. Instead, that fact can be disclosed in the notes to the financial statements.
- 10.4** Entities may combine tables required in [Division 35](#) where it is considered appropriate to simplify disclosure. Sufficient information and sub-total columns must be disclosed to enable reconciliation of amounts to the corresponding line items disclosed on the balance sheet.

11 *Early Adoption of Accounting Pronouncements*

- 11.1** If an entity wishes to adopt an AAS or AASB Interpretation earlier than its effective date of application, other than as permitted or required by this schedule, it must seek approval from the Finance Chief Executive.
- 11.2** The Finance Chief Executive may instruct one or more entities to early adopt an AAS or AASB Interpretation.

12 *Materiality and Information Disclosure*

- 12.1** The requirements of this schedule apply where information resulting from their application is material, or as specifically stated within the schedule.
- 12.2** Assessments of materiality must be performed at the level of the entity preparing the financial statements, not GGS level.
- 12.3** Each change in accounting policy must be disclosed separately.
- 12.4** Entities must maintain proper accounting records to support all disclosures required by this schedule and the supporting policy.

POLICY

Materiality and presentation of information

- 12.51P** Entities must present all information necessary to ensure true and fair disclosure. In addition to the requirements of [section 12.2](#), entities must disclose information required by the following parts of this schedule, regardless of materiality:
- (a) [Division 24 Remuneration of Auditors](#);
 - (b) [Part I APPROPRIATIONS](#);
 - (c) [Division 120 Special Accounts](#); and
 - (d) [Division 122 Compensation and Debt Relief in Special Circumstances](#).

GUIDANCE

Materiality

12.71G Entities should be aware that auditors will determine their own level of materiality in accordance with the auditing standards made by the Auditor General under the [Auditor-General Act 1997](#).

Retention and maintenance of accounting records

12.72G Proper accounting records of all transactions must be maintained in accordance with applicable legal requirements, including:

- (a) [FMA Act section 48](#);
- (b) [CAC Act section 20](#);
- (c) [order 4 of the Financial Management and Accountability Orders \(Financial Statements for Reporting Periods Ending on or after 1 July 2011\)](#);
- (d) [sections 9 and 12 of the Electronic Transactions Act 1999](#);
and
- (e) [section 24 of the Archives Act 1983](#).

13 Rounding Off

General rounding rules

- 13.1 Subject to the exceptions listed at [sections 13.3 to 13.5](#), amounts in the financial statements may be rounded off as follows:
- (a) to the nearest dollar;
 - (b) where a reporting entity has assets, liabilities, expenses, income, commitments or contingencies in excess of \$10 million, to the nearest \$1,000, unless that amount is less than \$500, in which case the amount should be rounded to zero; or
 - (c) where a reporting entity has assets, liabilities, expenses, income, commitments or contingencies in excess of \$1 billion, to the nearest \$1 million, unless the amount is less than \$500,000, in which case the amount should be rounded to zero.
- 13.2 The rounding thresholds in [section 13.1](#) must be applied:
- (a) separately for departmental and administered financial statements; and
 - (b) consistently within departmental and administered financial statements regardless of whether rounding is different between the two set of statements.

Exceptions

- 13.3 For appropriations ([Part I](#)), special accounts ([Division 120](#)) and outcomes ([Division 121](#)) disclosures, the following rules apply:
- (a) they must not be rounded to the nearest \$1 million; and
 - (b) rounding must be consistent between departmental and administered financial statements (where the application of [section 13.1](#) results in different levels of rounding between the two set of statements, the lower level of rounding must be applied).
- 13.4 Disclosures required by [Division 23](#) must be rounded to the nearest dollar.
- 13.5 Table E disclosures, as required under [Division 104](#), must be disclosed to the cent.

POLICY

Rounding off

- 13.51P The level of rounding must be prominently displayed and repeated so that a proper understanding of the information presented can be attained.
- 13.52P These rounding provisions apply only to the preparation of financial statements and not to supporting accounting records.
- 13.53P Materiality must be considered prior to rounding to ensure rounding does not affect whether or not the item is considered material.
- 13.54P Where the following items are disclosed as a nil balance due to rounding, that fact must be disclosed:
- (a) appropriations under [Part I](#);
 - (b) special accounts under [Division 120](#); and
 - (c) compensation and debt relief disclosures under [Division 122](#).

14 Certificates

- 14.1** The signed audit report on the financial statements must be attached to the financial statements.
- 14.2** Each authority or, where relevant, each economic entity comprising an authority and its subsidiaries' as applicable, must present a statement signed by: the chair of the board (or a director) in accordance with a resolution of the board; the chief executive officer; and the CFO, stating:
- (a) whether the financial statements, in their opinion, give a true and fair view of the matters required by this schedule;
 - (b) whether the financial statements, in their opinion, have been prepared based on properly maintained financial records;
 - (c) for entities other than the Reserve Bank of Australia, whether, in their opinion, there are, when the statement is made, reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due;
 - (d) when additional information is included in the notes to give a true and fair view and/or to satisfy [section 16.3](#) where applicable, then the reasons for forming this view and the location of the additional notes in the financial statements;
 - (e) that the statement has been made in accordance with a resolution of the directors; and
 - (f) the date on which the statement is made.
- 14.3** Each other entity identified in [section 7.1](#) required to prepare financial statements must include a statement signed by the chief executive officer and CFO stating:
- (a) whether the financial statements, in their opinion, give a true and fair view of the matters required by this schedule;
 - (b) whether the financial statements, in their opinion, have been prepared based on properly maintained financial records;

- (c) **when additional information is included in the notes to give a true and fair view and/or to satisfy [section 16.3](#) as applicable, then the reasons for forming this view and the location of the additional notes in the financial statements; and**
- (d) **the date on which the statement is made.**

POLICY

Certification

- 14.51P The directors may state ‘signed for and on behalf of and in accordance with a resolution of the directors’.
- 14.52P Entities are required to disclose additional information as necessary to give a true and fair view under [sections 14.2](#) and [14.3](#) of this schedule and under [FMA Act subsection 49\(3\)](#) and [CAC Act Schedule 1 subclause \(2\)](#).

GUIDANCE

- 14.71G Signed statements referred to in [sections 14.2](#) and [14.3](#) are different to the certification expected from the chief executive officer of an agency under the ‘*Certificate of Compliance*’ or the directors of an authority in the GGS under a *Compliance Report*. For information on ‘*Certificate of Compliance*’, refer to [Finance Circular 2009/06 Certificate of Compliance – FMA Act Agencies](#).

15 Departmental and Administered: Classification and Reporting

- 15.1** Subject to [section 15.4](#), entities must distinguish between ‘departmental’ and ‘administered’ in the financial statements for all disclosures outlined in this schedule.
- 15.2** The financial statements of entities must present items as ‘departmental’ and ‘administered’ in accordance with Cabinet decisions on their classification.
- 15.3** Changes must not be made to the classification of existing items without the approval of Cabinet or the Finance Minister.
- 15.4** Special public money (including money held in trust for other persons) is neither ‘departmental’ nor ‘administered’.
- 15.5** Specific reporting requirements apply in relation to assets held in trust (refer to [Division 38](#)).

16 Exemptions from this Schedule

DRAFTER'S NOTE

Please note this division is still under construction and further changes are likely for subsequent drafts.

- 16.1 The Finance Minister may grant a written exemption to the Chief Executive Officer of an agency, or directors of an authority, from any specified requirements of this schedule.**
- 16.2 An exemption may be granted subject to conditions, including a requirement for alternative forms of disclosure.**
- 16.3 The Chief Executive Officer or directors must disclose the particulars of any exemptions applied by the entity in the financial statements.**
- 16.4 An exemption may not be applied if it results in non-compliance with AAS.**
- 16.5 Where an entity elects to apply any exemptions granted by the Finance Minister, information that would otherwise be obtained must be available for consolidation into the CFS.**

GUIDANCE

- 16.71G** An exemption that has been granted but not applied by the entity does not have to be disclosed under [section 16.3](#).

17 *Approved Exemptions*

DRAFTER'S NOTE

Please note this division is still under construction and further changes are likely for subsequent drafts.

- 17.1 PFCs and GBEs may apply any of the three recognition options for recognising actuarial gains and losses for defined benefit plans as outlined in AASB 119. All other entities must apply the direct to equity option of recognising actuarial gains and losses for defined benefit plans as outlined in [AASB 119](#).
- 17.2 The Australian Office of Financial Management (AOFM) is excluded from the requirement to present the Statement of Comprehensive Income and associated notes in the format required by [Division 85](#). However, AOFM must instead adhere to the statement of comprehensive income reporting requirements of [AASB 101](#).
- 17.3 The Reserve Bank of Australia is not required to prepare financial statements in the format prescribed by the PRIMA Forms. The Reserve Bank of Australia may determine the format of the financial statements to the extent that it applies generally accepted industry reporting principles and applicable AAS.
- 17.4 [Section 34.7](#) constitutes an approved exemption for a for-profit entity or an entity that is a university to elect not to apply the requirements at [sections 34.2](#), [34.3](#), [34.5](#) and [34.6](#) relating to valuation of non-financial assets.
- 17.5 In accordance with [section 38.4](#), intelligence and security agencies, defence agencies and prescribed law enforcement agencies are exempt from making disclosures under [Division 38](#).
- 17.6 The Future Fund is exempt from presenting the financial statements required by this schedule, on the condition that:
- (a) the Future Fund presents its financial statements as a single entity;
 - (b) the financial statements are presented in a format consistent with that used in the funds management industry and applying applicable AAS;

- (c) the financial statements for the Future Fund contain sufficient information to ensure appropriate accountability and transparency, consistent with that applying to general purpose financial statements;
 - (d) the Future Fund present such additional disclosures as required in [Division 23](#), [Division 81](#), [Part H](#) and [Part J](#), to the extent that they are relevant to the Future Fund's operations; and
 - (e) to the extent that there is a conflict between paragraph [\(b\)](#) and paragraphs [\(c\)](#) and [\(d\)](#), paragraphs [\(c\)](#) and [\(d\)](#) will have precedence.
- 17.7** The term Future Fund refers collectively to the Board of Guardians and the Future Fund Management Agency as well as the Future Fund itself including the investments and special account constituted under the [Future Fund Act 2006](#).
- 17.8** In the presentation of the financial statements required under the [Aboriginal and Torres Strait Islander Act 2005](#), the Aboriginal and Torres Strait Islander Land Account (Land Account) is exempt from the following items in this schedule:
- (a) [Part G](#) and the administered disclosures in PRIMA Forms;
 - (b) [Part I](#) to the extent that the Land Account has no appropriation transactions and balances other than through its special account;
 - (c) [Division 121](#) to the extent that the Land Account does not have any defined outcomes; and
 - (d) [Division 122](#) to the extent that the Land Account has not made any payments specified in that division.
- 17.9** The Land Account is required to present its administered activities in departmental format as illustrated in the PRIMA Forms. The accounting policy note must clearly state that all activities are administered.
- 17.10** Other entities that include the activities of the Land Account must continue to comply with this schedule in the preparation of their financial statements.
- 17.11** In the presentation of the financial statements required under the [Aboriginal Land Rights \(Northern Territory\) Act 1976](#), the Aboriginals Benefit Account is exempted from the items listed in [section 17.6](#) under the same conditions imposed on the Land Account in [sections 17.7](#) and [17.8](#).

- 17.12** The Australian Reinsurance Pool Corporation (ARPC) is not required to prepare financial statements in the format prescribed by the PRIMA Forms. ARPC may determine the format of the financial statements to the extent that it applies generally accepted industry reporting principles and applicable AAS.
- 17.13** The Australian National University (ANU) is exempt from the requirements of [Division 18](#) and the format of the statement of comprehensive income in the [Part K](#), on the condition that the ANU presents that statement in accordance with the Financial Statement Guidelines for Australian Higher Education Providers required by the Department of Education, Employment and Workplace Relations to the extent those Guidelines are not inconsistent with AAS.
- 17.14** The Department of Defence (Defence) is exempt from reporting Star Ranked reservists, who are not employed on a continuous full time service basis and whose remuneration and remuneration packages are less than \$150,000, in the disclosures required by [Division 23](#), on the condition that Defence disclose this fact by way of footnote.

Part D STATEMENT OF COMPREHENSIVE INCOME (Excluding Appropriations)

OVERVIEW

Part D focuses on reporting requirements relating to the statement of comprehensive income and related notes, including general requirements in regard to income and expenses and specific requirements applying to borrowing costs, operating lease disclosures and operating expenditure for heritage and cultural assets, as well as disclosure of director, executive and auditor's remuneration.

Appropriations are addressed in [Part I](#).

18 *Statement of Comprehensive Income*

- 18.1 **Entities must present all items of income and expense recognised in a period in a single statement of comprehensive income.**
- 18.2 **Not-for-profit entities must adopt the Net Cost of Services (NCOS) format for the statement of comprehensive income as set out in [Part K](#).**

GUIDANCE

- 18.71G [AASB 101](#) requires income and expenses to be presented in:
- (a) a single statement of comprehensive income; or
 - (b) two statements: a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income).
- 18.72G [Section 18.1](#) removes option (b) for Australian Government entities.

19 *Income (Excluding Appropriations)*

Grants

- 19.1 For-profit entities must:**
- (a) recognise non-monetary government grants at fair value and not at nominal amount;
 - (b) present government grants related to assets as deferred income and not as a deduction to the carrying amount of the asset; and
 - (c) present government grants related to income as income in the statement of comprehensive income and not deduct them from the related expense.
- 19.2 To the extent that receipts under the Paid Parental Leave Scheme are regarded as income, section [19.1\(c\)](#) does not apply to these receipts.**

GUIDANCE

Income general information

- 19.71G Appropriation revenue is recognised and disclosed in accordance with [Part I](#).

Grants

- 19.72G [AASB 120](#) provides a number of options in accounting for government grants. [Section 19.1](#) removes the alternative options for for-profit entities, except in respect of Paid Parental Leave transactions.
- 19.73G [AASB 120](#) requires the benefit of a government loan at a below-market rate of interest to be treated as a government grant.

Paid Parental Leave Scheme

- 19.74G Further information on accounting for the Paid Parental Leave Scheme can be found in [Accounting Guidance Note 2011/1 – Accounting for the Paid Parental Leave Scheme by Commonwealth Employers](#).

20 Expenses – General Information

GUIDANCE

- 20.71G Subject to [section 20.72G](#), where an amount that has been expensed is refunded back to the entity it is appropriate to treat this amount as a reduction in the expense, unless the amount is received in a subsequent year in which case it is recorded as revenue. For further information see [Finance Circular 2005/08 Section 30 of the FMA Act - Reinstatement of appropriations for amounts repaid](#).
- 20.72G Where an expense has been incurred by the Department of Foreign Affairs and Trade (DFAT) on behalf of another entity, and DFAT has subsequently been reimbursed by that entity, DFAT may record the reimbursement as a reduction in the applicable expense item.

Transfer of annual and long service leave entitlements

- 20.73G [AASB 1004 para. 42\(b\)](#) requires that when a payment is made or is to be made in consideration for the assumption of the liability, the receiving entity recognises the liability assumed and an increase in assets (cash or cash receivable).
- 20.74G Where the payment is less than the total amount of the liability for employee entitlements assumed, the receiving entity recognises an expense equal to the amount of that shortfall. Cash received in consideration for the assumption of the liability must not be recognised as revenue.

21 ***Borrowing Costs***

21.1 Not-for-profit entities must expense borrowing costs as incurred.

GUIDANCE

21.71G [AASB 123 para. Aus8.1](#) allows not-for-profit public sector entities to elect to recognise borrowing costs as an expense in the period in which they are incurred regardless of how the borrowings are applied.

21.72G [Section 21.1](#) removes the option to apply the alternative treatment under [AASB 123](#).

22 Operating Leases

GUIDANCE

Disclosure of leases

- 22.71G [AASB 117 para. 35](#) requires minimum lease payments, sublease payments and contingent rents to be separately disclosed for operating leases in the notes to the financial statements.
- 22.72G In relation to accounting treatment and disclosures by the lessee, refer to [Accounting Guidance Note No. 2007/4 – Accounting for Operating Lease Expenses](#).

Lease incentives

- 22.73G In relation to lease incentives, refer to [Accounting Guidance Note No. 2007/3 – Accounting for Lease Incentives](#).

Identifying leases

- 22.74G Further guidance on how to determine if an arrangement constitutes or contains a lease can be found in [Interpretation 4 Determining whether an arrangement contains a lease](#).

23 Director/Senior Executive Remuneration

DRAFTER'S NOTE

Please note this division is still under construction and further changes are likely for subsequent drafts. Anticipated changes include moving guidance type paragraphs into a series of guidance notes supported by worked examples.

Definitions

23.1 Definitions for the purpose of this division are as follows:

Director	Director of a Commonwealth authority or GBE.
Executive remuneration	As defined in Accounting Guidance Note No. 2007/2 (Revised) – Identification of Executive Remuneration.
Fee-for-service arrangement	Where an executive or director employed by one entity is sub-contracted out under a formal contract or arrangement (e.g., a memorandum of understanding) to a second entity and the charges for the services under the contract or arrangement are calculated using a fixed rate (e.g., hourly/daily/monthly).
“Reportable remuneration”	The sum of gross payments, reportable fringe benefits and reportable employer superannuation contributions as reported in an individual’s payment summary, less any bonuses paid in the financial reporting period.
Secondment	An arrangement entered into where the employee remains an employee of the home APS entity or an outside employer but is lent for a period, by: (a) an APS entity to another APS entity; (b) an outside employer to an APS entity; or (c) an APS entity to an outside employer.
Senior executive	(a) Chief executive officers and equivalents, Senior Executive Service (SES) and equivalent officers classified in Groups 9-11 of the <i>Public Service Classification Rules 2000</i> and star ranked military officers.

- (b) A person falling within the definition of a senior manager of an authority under [CAC Act section 5](#).
- (c) Employees of an agency:
 - (i) who perform functions controlling operational activities, which directly impact the economic function and viability of the entity; and
 - (ii) whose employment conditions are equivalent to SES employment conditions of service.
- (d) Senior executive excludes Australian Prudential Regulation Authority (APRA) members. APRA members must be disclosed as directors in accordance with [section 23.6](#).

Star-ranked military officer

- (a) for Navy personnel: Commodore and above;
- (b) for Army personnel: Brigadier and above;
- (c) for Air Force personnel: Air Commodore and above; and
- (d) for Army, Navy or Air Force: commissioned personnel of equivalent rank or status to personnel noted in (a) to (c) above, e.g., chaplains.

General requirements

Individuals with dual roles

- 23.2** For the purpose of this division, where an individual is both a senior executive and director of the same entity, they must be reported as a senior executive only.

Fee for service contracts

- 23.3** Entities are not required to prepare disclosures under this division for senior executives or directors subject to a fee for service contract arrangement where the entity is not the direct employer.

Secondment arrangements

- 23.4** For the purpose of this Division, individuals on secondment must be disclosed by the receiving entity only.

Table A: Senior executive remuneration expenses for the reporting period

Scope

- 23.5** Table A must be prepared for senior executives of an agency or authority.
- 23.6** Table A excludes individuals that meet both of the following criteria:
- (a)** on an acting arrangement and/or have not been employed by the entity for the full financial reporting period; and
 - (b)** have total senior executive remuneration for the financial reporting period less than \$150,000.

Basis of preparation

23.7 Table A must be prepared using actual senior executive remuneration expenses (on an accrual basis).

Disclosures

23.8 Entities must disclose the following in Table A for the financial reporting period:

- (a) expenses for senior executives by major categories of:
 - (i) short-term employee benefits;
 - (ii) post-employment benefits;
 - (iii) other long-term benefits; and
 - (iv) termination benefits;
- (b) the total expense for each item listed in subsection (a); and
- (c) total senior executive remuneration expenses.

Table B: Substantive senior executives for the reporting period

Scope

23.9 Table B must be prepared for substantive senior executives employed by an agency or authority during the reporting period.

Basis of preparation

23.10 “Reportable remuneration” is as defined in [section 23.1](#).

23.11 Bonus paid must be prepared on a cash basis (and is a component of gross payments reported on the payment summary).

Disclosures

- 23.12** Table B must disclose the following information as at the end of the financial reporting period for “reportable remuneration” of \$0 to less than \$150,000 and each successive \$30,000 band:
- (a) the number of individuals;
 - (b) the average of “reportable remuneration” for individuals in that band applicable at reporting date; and
 - (c) the average bonus paid of the individuals in that band applicable at reporting date.

Other highly paid staff disclosures

Scope

- 23.13** For the purpose of section 23.16, entities must disclose employees:
- (a) where the sum of their “reportable remuneration” was \$150,000 or more for the financial reporting period; and
 - (b) who were not required to be disclosed in Tables A, B or director disclosures.

Basis of preparation

- 23.14** “Reportable remuneration” is as defined in [section 23.1](#).
- 23.15** Bonus paid must be prepared on a cash basis (and is a component of gross payments reported on the payment summary).

Disclosures

- 23.16** Entities must disclose the following information in respect of other highly paid staff for “reportable remuneration” of \$150,000 to less than \$180,000 and each successive \$30,000 band:
- (a) the number of individuals;
 - (b) the average of “reportable remuneration” for individuals in that band for the reporting period; and
 - (c) the average bonus paid of the individuals in that band for the reporting period.

Director disclosures

Scope

- 23.17** For the purpose of section 23.19, disclosures must be prepared for directors of an authority.

Basis of preparation

- 23.18** Total remuneration must be the remuneration expenses (on an accrual basis) for the financial reporting period.

Disclosures

- 23.19** Authorities must disclose the following in the notes to the financial statements in respect of directors:
- (a) the number of directors whose total remuneration for the financial reporting period falls within each successive \$30,000 band, commencing at the band incorporating the lowest paid director; and
 - (b) the total remuneration of directors for the financial reporting period.

Other Disclosures

Secondment arrangements

23.20 Entities benefiting from a resource received free of charge arrangement must make a statement to the effect that the amounts disclosed are included as receipt of goods or services from another entity.

Consolidated financial statements

23.21 When preparing the consolidated financial statements for an economic entity, the parent entity is required to separately disclose the senior executives, directors and other employees of the following in accordance with the requirements of this division:

- (a) the economic entity; and**
- (b) the parent entity, (including where the parent entity elects to disclose only parent entity supplementary information as permitted by Division 7).**

24 Remuneration of Auditors

- 24.1** The disclosures under this division must be prepared in the format prescribed by [Part K](#), even where zero balances occur in both the current and comparative years.
- 24.2** The fair value of any audit services provided free of charge must be shown in the notes to the financial statements.
- 24.3** For the purpose of this Division, performance audits are not taken to be audit services.
- 24.4** Entities must disclose the extent to which auditor's remuneration is paid to an auditor other than the Auditor-General.
- 24.5** The amount disclosed under [section 24.2](#) of this schedule must be recorded as resources received free of charge, with a corresponding expense.

GUIDANCE

Remuneration of auditors

- 24.71G The general requirement to disclose remuneration of auditors is contained in [AASB 101 para. Aus138.1](#).

25 Operating Expenditure for Heritage and Cultural Assets

- 25.1 An entity that is a Collection Institution must report operating expenditure for heritage and cultural assets.**

GUIDANCE

Collection institutions

- 25.71G Only direct costs are included as operating expenditure for heritage and cultural assets. Direct costs are expenses identified as having been specifically incurred by or for the heritage and cultural assets, including upkeep/maintenance. Indirect costs such as corporate administration costs or costs that have been capitalised are not included.
- 25.72G The following is a list of expenditure items that Collection Institutions might include in operating expenditure for heritage and cultural assets:
- (a) supply of goods and services (e.g., outsourced repairs to artwork or insurance costs);
 - (b) direct labour on-costs (e.g., the salaries and associated costs of staff researching and restoring items);
 - (c) lease of storage facilities;
 - (d) associated utility costs (e.g., electricity, water, gas);
 - (e) cataloguing costs;
 - (f) containers, and packaging and transportation;
 - (g) cleaning of collections and storage facilities; and
 - (h) substitution costs (e.g., costs of preparation of copies/surrogates of art work for public display).
- 25.73G Depreciation is not operating expenditure for the purposes of [section 25.1](#).
- 25.74G Where a proportion of a staff member's time is not utilised for activities exclusively related to a heritage and cultural asset, the cost of the staff member must be apportioned (to operational expenditure) to reflect the cost incurred specifically for the heritage and cultural asset.

Part E BALANCE SHEET

OVERVIEW

Part E sets out the reporting requirements for general and specific disclosures in the balance sheet of entities and related note disclosures. Both financial and non-financial assets and liabilities are addressed in this part.

30 *Financial Assets – General Information*

GUIDANCE

30.71G Appropriations receivable are measured at their nominal amounts. Being non-contractual, they are not financial instruments under [AASB 139](#).

31 *Receivables for Statutory Charges*

31.1 Receivables for statutory charges must be assessed for impairment under [AASB 136](#).

GUIDANCE

31.71G Receivables for statutory charges (such as taxes) are assessed for impairment under [AASB 136](#) as they are not financial instruments under [AASB 139](#), being non-contractual.

31.72G Receivables for statutory charges are assessed for impairment on an individual asset basis as they generate cash flows that are largely independent of those from other assets or groups of assets.

31.73G In some cases, due to the number of receivables for statutory charges, it is not practicable to assess all receivables individually. [AASB 136 para. 23](#) allows the use of estimates, averages and shortcuts. These approaches can be used to approximate individual assessments using a group

methodology. Nonetheless, significant receivables should be assessed on an individual basis.

32 Investment of Surplus Money by Authorities

- 32.1** The financial statements of an authority must include a note giving particulars of any investments held that are not covered by [section 18\(3\)\(a\)-\(c\) of the CAC Act](#). The note must provide details of the statutory basis for holding additional investments, including whether an approval has been received by the authority under [section 18\(3\)\(d\) of the CAC Act](#).

GUIDANCE

- 32.71G Under [CAC Act section 18](#), authorities that are not GBEs or statutory marketing authorities may only invest surplus money on deposit with a bank, in securities issued or guaranteed by the Commonwealth, a State or a Territory, or in any other manner approved by the Finance Minister.
- 32.72G The power to approve additional categories of investment under [section 18\(3\)\(d\) of the CAC Act](#) is held by the Finance Minister. This power was transferred from the Treasurer to the Finance Minister through the [Financial Framework Legislation Amendment Act 2005](#). Under this Act all approvals granted by the Treasurer before the Act's commencement remain valid.
- 32.73G Authorities may have investments in classes additional to those listed in [section 18\(3\)\(a\)-\(c\) of the CAC Act](#). For example, an authority's enabling legislation may specifically provide for wider investment powers than those contained in [paragraphs 18\(3\)\(a\)-\(c\) of the CAC Act](#), or the authority may have been granted an approval to invest in a further class of investment through [section 18\(3\)\(d\) of the CAC Act](#).
- 32.74G For information about investments, refer to [Finance Circular 2005/05: Investment of Surplus Money](#).

33 Valuation of Non-Financial Assets

Scope

- 33.1** This division applies to assets within scope of [AASB 116](#), [AASB 138](#) and [AASB 140](#).
- 33.2** Unless required by the applicable standard to be measured otherwise, subsequent to initial recognition entities must measure every type of asset listed below at fair value in accordance with [AASB 116](#) or [AASB 140](#) as applicable:
- (a) land;
 - (b) buildings;
 - (c) heritage and cultural assets (where not intangible assets);
 - (d) investment properties; and
 - (e) other property, plant and equipment.

Valuation

- 33.3** Intangible assets must be valued by class in accordance with [AASB 138](#), at:
- (a) cost, in the absence of an active market; or
 - (b) fair value, where an active market exists for all assets in a class.
- 33.4** Each non-financial asset listed in [section 33.2](#) or recognised in compliance with [section 33.3\(b\)](#), other than investment properties, must be assessed each year to ensure that the carrying amount does not differ materially from fair value as at reporting date. If there is a material difference then revaluation of the entire class is required.
- 33.5** Investment property must be revalued annually in compliance with [AASB 140](#).

Special military equipment

- 33.6** The cost model must be applied to specialist military equipment. Fuels, explosives ordnance, general stores and consumables are not special military equipment.

GUIDANCE

Asset recognition, valuation and depreciation

- 33.71G Either the gross or net approach to disclosing revalued assets may be used as permitted by [AASB 116 para. 35](#).
- 33.72G For more guidance on assets held for sale as defined in [AASB 5](#), refer to [Accounting Guidance Note No. 2007/5 Accounting for Non-current Assets Held for Sale](#).
- 33.73G For more guidance on accounting for internally developed software refer to [Accounting Guidance Note No. 2007/1 Accounting for Internally Developed Software](#).
- 33.74G For information on accounting for subsequent expenditure on property, plant and equipment, refer to [Accounting Guidance Note No. 2007/7 Accounting for Subsequent Expenditure on Property, Plant and Equipment](#).
- 33.75G Refer to [FinanceBrief 35](#) for more information on land under roads.

34 *Impairment of Non-Financial Assets*

- 34.1 For the purposes of [AASB 136](#), parts of entities are not cash-generating units where they are primarily dependent on funding from appropriations.

GUIDANCE

Generation of cash inflows

- 34.51P Entities, or parts of entities, other than those whose predominant purpose is to generate net cash inflows, are not cash-generating units for the purpose of [AASB 136](#).
- 34.71G Agency receipts retained under [section 31](#) are included for the purpose of determining whether entities are cash-generating units under [AASB 136](#).

Impairment process

- 34.72G Not-for-profit entities must refer to [AASB 136 para. Aus32.1](#) in respect of non-cash generating assets whose economic benefits would be replaced if the entity was deprived of them.
- 34.73G Impairment under [AASB 136](#) is a two step process that involves:
- (a) testing assets for indications of impairment; and
 - (b) only where indications of impairment have been established for an asset/s, performing the recoverable amount test and making any required adjustment for impairment loss/es.
- 34.74G Entities should adopt a risk management approach to reviewing assets for impairment, which means that a more in-depth review should be undertaken of:
- (a) significant assets (high dollar value); and
 - (b) those assets which by their nature are more likely to be impaired.

35 Analysis of Non-Financial Assets

35.1 Notes to the financial statements must include the following presented in accordance with [Part K](#):

- (a) **Table A Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment;**
- (b) **Table B Reconciliation of the Opening and Closing Balances of Investment Property; and**
- (c) **Table C Reconciliation of the Opening and Closing Balances of Intangibles.**

37 Heritage and Cultural Assets

Scope

- 37.1** Heritage and cultural items must only be recognised as assets where they meet the asset definition and recognition criteria set out in [AASB 116](#) or [AASB 138](#).
- 37.2** Only assets that are primarily used for purposes that relate to their cultural, environmental or historical significance can be accounted for as heritage and cultural assets.

Disclosures

- 37.3** When an entity controls or administers heritage and cultural assets, the notes to the financial statements must disclose:
- (a) a description of those items; and
 - (b) the curatorial and preservation policies for heritage and cultural assets. Where these policies are publicly available entities may instead provide a cross-reference to this information. These policies must include details on acquisition, preservation, management and disposal of heritage and cultural assets.
- 37.4** For the purposes of this division, the term ‘government department’ referred to in the statement listing pertinent entities in Australian Implementation Guidance to [AASB 116](#) means an entity as defined in this schedule.

GUIDANCE

Definition

37.71G Heritage and cultural assets are defined in [Division 4](#).

Asset recognition criteria

37.72G Not all heritage or cultural items will meet the accounting definition of assets despite having intrinsic heritage value. Only items that are useful to the entity in achieving its objectives and have a financial value that can be reliably measured are recognised as assets.

37.73G Where a heritage and cultural asset is irreplaceable and has no market price, it is unlikely that its value can be reliably measured.

Heritage and cultural items

37.74G The AAS contemplate indefinite useful lives for some assets and non-depreciation in circumstances where assets have indefinite useful lives.

37.75G In accordance with [AASB 116 para. G3](#), where appropriate curatorial and preservation policies are established, heritage and cultural assets may be deemed to have an indefinite useful life, and as such, not depreciated. Entities should ensure such policies satisfy the criteria in the Implementation Guidance to [AASB 116](#) and only depreciate these assets where they are determined to have a limited life.

Primary use of assets

37.76G One example of an item subject to [section 37.2](#) is buildings of historical interest that are used primarily to provide office accommodation. These should not be accounted for as heritage and cultural assets.

Curatorial and preservation policies

37.77G Entities are not required to disclose sensitive material (e.g. information about fraud/theft prevention) contained in the same document as curatorial or preservation policies.

38 Assets Held in Trust

- 38.1** Financial statements of entities must include a note giving particulars of assets held in trust when the entity is a trustee in a legal trust arrangement. A legal trustee relationship may occur through formal appointment or otherwise.
- 38.2** The note referred to in [section 38.1](#) must contain:
- (a) a summary of the categories of assets held in trust at the end of the reporting period and the purpose for which they are being held;
 - (b) in relation to monetary assets held in trust, the entity must disclose:
 - (i) total amount held at the beginning of the reporting period;
 - (ii) total receipts during the reporting period;
 - (iii) total payments during the reporting period; and
 - (iv) total amount held at the end of the reporting period; and
 - (c) Subject to [section 38.3](#), in relation to non-monetary assets held in trust, the entity must disclose:
 - (i) estimated value at the beginning of the reporting period;
 - (ii) estimated value of assets obtained during the reporting period;
 - (iii) estimated value of assets disposed of during the reporting period; and
 - (iv) estimated value of assets at the end of the reporting period.
- 38.3** Where an estimated value cannot be assigned to a non-monetary asset, either because it is uneconomical or impractical to do so, the details in [section 38.2\(c\)](#) do not need to be disclosed. A statement from the entity asserting that it is uneconomical or impractical is taken to be sufficient evidence.
- 38.4** Where an entity applies [section 38.3](#), it must provide additional disclosure stating why estimated values have not been used.

POLICY

Trust disclosures

- 38.51P This division applies to agreements that constitute a legal trust (including for charitable purposes under trust law). Legal advice should be obtained if an entity is unsure as to whether or not an asset is held in trust.
- 38.52P All trust accounts must be identified by the type of trust (beneficiary or other third party purpose) and must be disclosed in the notes to the financial statements.
- 38.53P The valuation of non-financial assets held in trust is dependent on the asset having an active market as well as the cost of valuation to the entity. Where an active market exists and the asset can be cost-effectively and reliably measured, a fair valuation must be made.
- 38.54P Intelligence and security agencies, defence agencies and prescribed law enforcement agencies, while exempt from the disclosure requirements under [Division 38](#), are encouraged to disclose the general nature of assets held in trust.
- 38.55P [Section 38.3](#) does not limit the measurement and disclosure requirements otherwise imposed by this schedule. Where, for example, an entity is both trustee and beneficiary of a trust, trust assets will be required to be disclosed in the entity's financial statements in accordance with this division.

Special accounts

- 38.56P Entities must report assets covered by [section 38.1](#) that stand to the credit of a special account in the notes to the financial statements for special accounts (see [Division 120](#)). A footnote in the assets held in trust note must cross reference to the relevant special account note.

Unidentified receipts

- 38.57P Money found on Australian Government premises and other unidentified receipts are, and should be accounted for as, administered receipts. These receipts must not be treated as assets held in trust, as there is no beneficiary or third-party purpose.

GUIDANCE

Trust money

38.71G Money that is subject to trust law, is a subset of special public money as defined under [section 16 of the FMA Act](#), that is subject to the legal obligations of trust law in addition to the requirements imposed by the *FMA Act*.

Unidentified receipts

38.72G Contact the Forex, Special Accounts and Net Appropriations Section, Financial Framework Policy Branch within Finance via finframework@finance.gov.au for additional information and guidance.

Public money held by outsiders

38.73G The guidance in [Division 45](#) contains information in relation to public money held by outsiders.

39 Joint Ventures

39.1 Subject to [Division 87](#), entities must recognise interests in jointly controlled entities using the equity method and not proportionate consolidation.

GUIDANCE

39.71G [AASB 131](#) allows entities to recognise interests in jointly controlled entities using proportionate consolidation as an alternative to the equity method. [Section 39.1](#) removes this option.

40 *Liabilities – General Information*

GUIDANCE

Liabilities

40.71G A liability is recognised only when the entity has little or no discretion to avoid the sacrifice of future economic benefits. An essential characteristic of a liability is the existence of a present obligation, being a duty or responsibility of the entity to act or perform in a certain way.

40.72G For example, a liability for workers' compensation premium is recognised at the earlier of:

- (a) the start of the period for which there is a legal obligation to have workers compensation insurance; and
- (b) when the invoice is due to be paid under the terms of the contractual arrangement for insurance coverage.

40.73G Another example is employee benefit liability, such as for unpaid salary or superannuation. It is recognised at the earlier of:

- (a) when service is provided by the employee; and
- (b) the time of obligation specified in the employment agreement.

Obligations

40.74G The existence of an obligation does not require the identity of the party to whom an obligation is owed to be known. This party may be different from the party that will receive goods and services in satisfaction of the obligation.

40.75G While most obligations are legal, others are constructive. A constructive obligation, as defined in [AASB 137 para. 10](#), is created, inferred or construed from the facts in a particular situation rather than contracted by agreement or imposed by Government. For example, a constructive obligation exists where:

- (a) an entity has committed to remove environmental contaminants used in the past for building construction;
- (b) the removal of these contaminants is not required under legislation but there is an established practice of performing such work; and
- (c) the general public has a reasonable expectation that the

entity will fulfil its commitment.

Decommissioning, restoration and similar provisions ('make good')

40.76G For guidance on accounting for decommissioning, restoration and similar provisions ('Make Good'), refer to [Accounting Guidance Note No. 2010/1 Accounting for Decommissioning, Restoration and Similar Provisions \('Make Good'\)](#).

41 Liabilities Relating to Dividends

- 41.1** Where legislation provides that a Minister(s) may determine the amount to be paid as a dividend or similar distribution, the entity must recognise a liability for any dividend or distribution determined by the Minister(s) at the date of the Ministerial determination.
- 41.2** Where a wholly-owned Australian Government entity is required to pay its profit for the year to the Australian Government, a liability for the dividend must be recognised for an amount equal to profit for the current year as at the entity's reporting date.
- 41.3** Where an entity is required to pay its profit for the year to the Australian Government after the deduction of certain amounts, a liability for the dividend must be recognised if those amounts are known before the date of completion of the financial statements. If these amounts are not known before this date, the entity should instead disclose a contingent liability.

GUIDANCE

- 41.71G** Enabling legislation normally set out procedures for dividends. Typically, the board or other governing body recommends a dividend to the Minister. The Minister has the authority to accept or reject a recommendation. A liability for the dividend is not recognised by the entity until the Minister has made a determination.
- 41.72G** In some cases, legislation or Government policy provides for a dividend to be paid of:
- (a) an amount or percentage of profit for the year; or
 - (b) profit less specified deductions.
- In such cases, there is no need for a determination and a liability for dividends arises at the reporting date when the amount is known.
- 41.73G** In accordance with [AASB 110 paras. 12 and 13](#), if an entity declares dividends to holders of equity instruments after the reporting date, no liability is recognised at reporting date. Rather, such dividends are disclosed in the notes to the financial

statements in accordance with [AASB 101](#).

41.74G Returns of capital are addressed in [Division 101](#).

43 Employee Benefits

Key principles

- 43.1** Leave liabilities must be discounted on the basis of when the benefits are due to be settled.
- 43.2** In calculating LSL liability, entities with:
- (a)** less than or equal to 1,000 FTE employees can use the shorthand method; and
 - (b)** more than 1,000 FTE employees must estimate the entity's LSL liability using one of the following methods:
 - (i)** an actuarial assessment;
 - (ii)** a detailed calculation basis (e.g., employee by employee); or
 - (iii)** where the employee profile is demonstrably not materially different from the Australian Government's standard profile, entities may use the shorthand method.

On-costs

- 43.3** On-costs (e.g., workers' compensation insurance and payroll tax) are not employee benefits.

POLICY

Additional costs

43.51P Entities must make an allowance for additional costs (e.g., superannuation costs) expected to settle leave provisions.

43.52P The recommended approach to calculate additional costs is:

$$\text{additional costs} = \text{total estimated liability} * (X*Y)$$

Where:

X= costs as a % of employees' salaries (this includes superannuation, employee allowances and additional annual and LSL accrued when the leave is taken)

Y= proportion (as a %) of accrued leave expected to be taken in-service by all employees

43.53P Some additional costs only apply if the leave is taken in-service. To calculate the expected leave taken in-service, entities must review historical employee data and/or use an established rate from similar entities.

43.54P The probability that the leave will be taken in-service rather than paid out is important in determining which additional costs percentage to apply. For example, if an employee's superannuation costs were calculated as 15% on total salary but they are expected to only take 60% of their LSL in-service, additional costs of 9% (60% multiplied by 15%) would be applied to the provision.

43.55P The shorthand method does not take into consideration additional costs. These additional costs must be added to arrive at the final liability.

The shorthand method

Step 1: Obtain nominal, accrued LSL information

43.56P Obtain details of each employee's balance of accrued LSL entitlement. This is the amount accrued during service (including eligible prior service for LSL with previous employers) less the amount taken (including amounts redeemed for payment).

43.57P For example, where full-time employees accrue 9 calendar days per year of service:

- (a) an employee who has worked for half a reporting period has accrued 4.5 days; and
- (b) an employee who has worked for 11 years and has taken 10 days of LSL has accrued 89 days.

43.58P Each employee’s LSL entitlement must be expressed as a dollar amount (including eligible prior service). As each employee’s LSL entitlement is expressed in calendar days an adjustment is required to remove the effect of weekends as applicable.

Step 2: Calculate the probability-weighted accrued LSL

43.59P Apply the formula as follows to calculate the nominal probability-weighted accrued LSL:

$A = B * C$ <p>Where:</p> <p>A = nominal probability-weighted LSL</p> <p>B = amount from Step 1</p> <p>C = probability weight in the LSL – Table of Probability Factors (see section 43.74G)</p>
--

Step 3: Calculate the present value of the (probability-weighted) LSL liability

43.60P For each employee, multiply “A” from Step 2 by the factor determined by reference to the LSL – Table of Discount Factors (see [section 43.74G](#)).

43.61P The salary growth rate is the entity’s estimate of the average annual salary growth rate expected over ten years.

43.62P Where discount or salary growth rates:

- (a) are within range of rates presented in the table, entities must round the rate to the nearest amount or extrapolate between rates presented in the table; and
- (b) are not within range of the rates presented in table, entities must consult with Accounting Policy Branch in Finance and obtain actuarial advice.

Step 4: Calculate the estimated LSL liability for the entity

43.63P The total estimated liability for the entity is the sum of the liabilities for each employee.

GUIDANCE

The shorthand method

43.71G The shorthand method, in this division, was developed by the Australian Government Actuary in the mid-1990s and last reviewed in July 2010.

Sick leave

43.72G Where sick leave is non-vesting and the average sick leave estimated to be taken each year is less than the annual entitlement, there is no requirement to record a provision for sick leave at year end.

Discount rate

43.73G In relation to [AASB 119 para. 78](#), for-profit Australian Government entities should use the market yields (at the end of the reporting period) on government bonds to discount employee benefits.

LSL – probabilities and discount factors tables

43.74G The LSL – Table of Probability Factors (referred to in [section 43.59P](#)) and the LSL – Table of Discount Factors (referred to in [section 43.60P](#)) will be published by the Accounting Policy Branch no later than July on an annual basis.

43.75G The standardised rates can be found at <http://www.finance.gov.au/financial-reporting-and-accounting-policy/index.html>.

44 Measurement and Disclosure of Post Employment Plans

Key principles

- 44.1** For plans where the actuarial risk (shortfall risk) falls on the entity, the entity must account for them as defined benefit plans.
- 44.2** The market yield on Government bonds must be referenced when determining a discount rate, in compliance with [AASB 119](#).

PSS, CSS and military superannuation schemes (including the MSBS)

- 44.3** The Australian Government has a legal liability to meet the deficits of the PSS, CSS and military superannuation schemes; and as such liabilities related to these schemes are reported on behalf of the Australian Government in the administered financial statements of:
- (a) Finance (for PSS and CSS); or
 - (b) Department of Defence (for military superannuation schemes).
- 44.4** Entities acting as agents collecting contributions from employees for the PSS, CSS and military superannuation schemes must:
- (a) account for and make the required disclosures in accordance with [AASB 119](#) as if they were contributing to defined contribution plans; and
 - (b) disclose the following facts and reference:
 - (i) that the entity is accounting for the scheme as a defined contribution plan;
 - (ii) that at the whole-of-Government level the scheme is a defined benefit plan and is accounted for as such; and
 - (iii) a reference to the financial statements in which the defined benefit disclosures have been or will be made.

GUIDANCE

Superannuation scheme disclosures

44.71G The [PSS Accumulation Plan](#) is considered a defined contribution plan from the point of view of both the entity and the whole-of-Government.

45 Financial Instruments

Classification

- 45.1 Unless otherwise required under [AASB 139](#), where an active market exists for a:
- (a) financial asset - entities must classify the instrument as either at FVTPL or available for sale; and
 - (b) financial liability - entities must classify the instrument as at FVTPL.
- 45.2 [AASB 139](#) allows a financial asset or liability to be designated as at FVTPL if it results in more relevant information in the specific circumstances outlined in the standard. If these circumstances apply, entities must designate the instrument as FVTPL.

Impairment losses

- 45.3 Where permitted under an AAS, entities must:
- (a) recognise all impairment losses on financial assets under [AASB 139](#) in an allowance account (rather than adjusting these losses directly against the carrying amounts of the related assets); and
 - (b) maintain a separate allowance account for each class of financial asset.

Derivatives and hedging

- 45.4 Where an entity has held derivative financial instruments that are not part of a qualifying hedging arrangement at any time during the period, it must disclose:
- (a) the management's objectives for holding or issuing those derivatives;
 - (b) the context needed to understand those objectives; and
 - (c) the strategies for achieving those objectives.
- 45.5 Entities must adopt [\(a\)](#) in all cases where [AASB 139](#) allows for a choice between:
- (a) capitalising gains or losses on hedges into the carrying amount of the underlying assets; and
 - (b) progressively transferring such gains or losses from equity to income or expense.

Regular way purchase or sale

- 45.6 For regular way purchase or sale, entities must apply trade date accounting.

Concessional loans

- 45.7 Entities must disclose the nominal value of concessional loans as well as the unexpired discount.

Market risk sensitivity analysis

- 45.8 Where sensitivity analysis is required, entities must use the standard rates referenced in [FinanceBrief 31 AASB 7 Financial Instruments: Disclosures Standardisation of market risk sensitivity analysis when disclosing market risk](#).
- 45.9 Approval from Finance is required for entities to use different rates in their sensitivity analysis.

GUIDANCE

Summary of the types of financial instruments

- 45.71G The table below provides a summary of the types of financial instruments. This is an indicative list only and [AASB 139](#) should be consulted for further information, including scope

restrictions and category restrictions for items. Categorisation needs to reference the intention of the management and past actions in some cases.

<i>Categories</i>	<i>Examples</i>
Financial asset or financial liability at FVTPL	<ul style="list-style-type: none"> • Speculative share portfolio • Forward exchange contracts • Interest rate swap • Call options • HECS Help Loans (because of embedded derivatives)
Held-to-maturity	<ul style="list-style-type: none"> • Government bonds • Corporate bonds • Fixed term debentures <p>Note: where there is an active market, these items must be treated as FVTPL or available for sale unless unable to do so under AASB 139.</p>
Loans and receivables	<ul style="list-style-type: none"> • Trade receivables (debtors) • Cash at bank • Loans receivable • Advances made
Available for sale	<ul style="list-style-type: none"> • Shares or equity held in other entities (not held for trading or accounted for as subsidiaries, associates or joint ventures) • Items not classified within another category
Financial liabilities at amortised cost	<ul style="list-style-type: none"> • Trade payables (creditors) • Loans payable

Definitions and measurement

45.72G [AASB 7](#) requires disclosure about items not identified as financial instruments in [AASB 139](#), including:

- (a) loan commitments accounted for under [AASB 137](#); and
- (b) some contracts. An example is a contract to buy or sell a non-financial item that can be settled net in cash or for another financial instrument, or, where the non-financial

item is readily convertible to cash such as gold in a contract to purchase gold ([AASB 5 para. 5](#)).

- 45.73G Appropriations receivable and statutory charges (receivable or payable) are not financial instruments. Examples of statutory charges are GST receivable from or payable to the ATO. Notwithstanding this, amounts payable to, or receivable from, other entities should be disclosed inclusive of GST.
- 45.74G Financial guarantee contracts as defined in [AASB 139](#) do not include performance guarantees.
- 45.75G [AASB 139 Appendix A para. AG69-AG82](#) provide guidance on the fair value measurement considerations for recognition and measurement of financial instruments.

Initial measurement

- 45.76G [AASB 139 Appendix A para. AG64](#) outlines that the fair value of a financial instrument is normally the transaction price except in some circumstances, such as a loan issued on favourable terms. In this case a valuation technique is employed to determine fair value. In accordance with the standard, a valuation technique must use prevailing market data for similar financial instruments issued in the market. Similar financial instruments have substantially the same terms in regard to denominated currency term, type of interest rate (fixed or floating) and other relevant factors.
- 45.77G Upon examination of available market data, if there isn't sufficient data to determine a prevailing market interest rate (or acceptable interest rate range for financial instruments issued), then fair value is the transaction price.
- 45.78G If a prevailing interest rate or range is determined, and the financial instrument is issued at a rate below this rate, a valuation technique will result in a value less than the transaction price with the difference likely to be recognised as an expense unless upfront compensation is received for the discount.

Subsequent measurement

- 45.79G Refer to [AASB 139 paras. 45-47](#) for the subsequent measurement of financial assets and liabilities.

Disclosures

- 45.80G [AASB 7 para. 27A](#) requires, for the purpose of disclosure under [AASB 7.27B](#), that entities classify fair value measurements of financial instruments by using the specified fair value hierarchy (i.e., level 1, 2 or 3). There has not been an equivalent policy in [AASB 139](#) and therefore, the implicit fair value hierarchy in [AASB 139](#) is different from the amendments made to [AASB 7](#) for disclosure purposes. According to the current standards, entities use [AASB 7](#) for disclosure purposes and [AASB 139](#) for recognition and measurement purposes.
- 45.81G For additional guidance on the disclosure of financial instruments, refer to [Accounting Guidance Note No. 2008/1 \(Revised\) AASB 7 Financial Instruments: Disclosures](#).

Concessional loans

- 45.82G For guidance on accounting for concessional loans, refer to [Accounting Guidance Note No. 2010/2 Accounting for Concessional Loans](#).

Impairment of financial instruments

- 45.83G For information on impairment of available-for-sale equity financial instrument, refer to [Accounting Guidance Note No. 2009/1 Impairment of Available-for-Sale Equity Financial Instruments – Clarification of Paragraph 61 of AASB 139](#).

Authority to use derivatives

- 45.84G [FMA Act section 39](#) and [Finance Circular 2006/06 Australian Government Foreign Exchange Risk Management Guidelines](#) restrict the use of derivatives by Australian Government entities. Statutory authorities are unable to invest in derivative financial instruments unless authorised under their respective legislative framework(s).

Public money held by outsiders

- 45.85G Public money held by an outsider is reported in the relevant agency's balance sheet as cash held by the agency. This includes public money held by an outsider:
- (a) authorised under [FMA Act section 12](#) to receive, hold or make payments of public money; or
 - (b) deemed to be an allocated official (under section 5 of FMA Regs) when they are performing a financial task for an agency.
- 45.86G Additional information can be found in [Finance Circular](#)

[2011/01 Commitments to spend public money \(FMA Regulations 7-12\)](#). Contact finframework@finance.gov.au, regarding queries on the management of public money held by outsiders.

Part F OTHER FACE STATEMENTS AND SCHEDULES

OVERVIEW

Part F outlines the reporting requirements for other face statements and schedules.

60 Cash Flow Statement

60.1 Entities must:

- (a) present a cash flow statement using the direct method in compliance with [AASB 107](#); and
- (b) present dividends paid as a component of financing activities.

GUIDANCE

Transfers of section 31 to the OPA

60.71G Transfers of section 31 receipts to the OPA are disclosed as operating cash flows.

60.72G Where relevant agency receipts are returned to the OPA, and subsequently redrawn, they are disclosed as a separate operating cash outflow and inflow, respectively.

80 Contingencies

Schedule of contingencies

- 80.1** Contingent liabilities and assets that can be reliably measured must be classified in accordance with the classes specified in the [Part K](#); where applicable, new classes can be added.
- 80.2** A contingent liability and a contingent asset must not be netted off. The extent to which any contingent liabilities and assets are linked must be stated separately.
- 80.3** Unquantifiable contingent liabilities and assets that are not included in the schedule of contingencies but may have an impact on the operations of the entity must be explained in a note to the financial statements.
- 80.4** If an entity has given a financial guarantee, it must:
- (a) state that fact beneath its schedule of contingencies; and
 - (b) include a cross reference to details regarding the guarantee in other notes to the financial statements.

Contingent liabilities

- 80.5** Significant remote contingent liabilities must be disclosed in the notes to the financial statements.

POLICY

- 80.51P The reference in [AASB 137 para. 92](#) to 'entity' must be read as the entity, another Australian Government entity or the Australian Government as a whole.
- 80.52P Entities must review the Statement of Risks published in Budget Paper No. 1 and the draft schedule of contingencies for publishing in the financial statements to ensure that all relevant contingencies have been disclosed in the statements (including the schedule of contingencies). Disclosure requirements for the Statement of Risks may differ from those of this division.

GUIDANCE

- 80.71G [AASB 139 para. 2\(e\)](#) includes financial guarantee contracts in its scope (as defined in [AASB 139 para. 9](#)). [AASB 137 para. 2](#) excludes from its scope those financial instruments that are covered by [AASB 139](#).
- 80.72G [AASB 137 para. 92](#) provides for reduced disclosures where there is the expectation that full disclosure would seriously prejudice the Commonwealth.

81 Commitments

- 81.1 Commitments receivable must be disclosed where the inflow of resources is probable.**
- 81.2 The amounts reported as commitments payable and commitments receivable must include GST where applicable. A corresponding commitment receivable or payable must be reported as a net figure in the schedule of commitments for the net GST recoverable from or payable to the ATO.**
- 81.3 Commitments payables and receivables must not offset against each other.**

POLICY

Leases

- 81.51P Operating lease disclosures, in relation to the disclosure of future minimum lease payments or sublease payments expected to be received as required by [AASB 117](#), must be included in the schedule of commitments as outlined in [Part K](#). These disclosures apply equally to sale and leaseback transactions, which are classified as operating leases.
- 81.52P Finance lease disclosures in relation to future minimum lease payments required by [AASB 117 para. 47](#) must be disclosed in notes to the financial statements, rather than the schedule of commitments.

GUIDANCE

Commitments and liabilities

- 81.71G Commitments may be capital, non-capital, payable or receivable.
- 81.72G Commitments differ from liabilities in that there is no present obligation arising from a past transaction or event or such an obligation is subject to future performance of another party, e.g., obligations that are executory contracts. Where the entity intends to make payments to other parties, whether as a result of government policy statement, election promises or other public pronouncement, this does not of itself create a present obligation.

Agreements

- 81.73G An agreement or contract requires parties to make future sacrifices of economic benefits. However, until performance by the entity or the other party takes place no liability or asset is recognised. Instead, the future sacrifice is reported as a commitment.
- 81.74G An example of a relevant agreement is a contract for the construction of an asset. The reporting point for a commitment in this case is the entering into of the contract. A liability/asset would not be recognised until construction of the asset has commenced.
- 81.75G Without an agreement, there is no commitment. For example if an entity decided to acquire equipment in the future and received ministerial approval for spending, an agreement would not exist until contracts had been entered into and a commitment would not be recognised until that point.

Undertakings

- 81.76G Undertakings are unilateral promises that are intended to result in payments in future periods. For example, the Australian Government might approve the granting of financial assistance in certain situations. A liability does not exist until the claim for the assistance has been lodged. Until such time, the item is reported as a commitment. Unilateral promises are not reported as undertakings where further approval is required or legislation must be enacted to fulfil the undertaking.

Part G ADMINISTERED FINANCIAL STATEMENTS

OVERVIEW

Part G outlines the reporting requirements for administered financial statements.

85 Administered Financial Statements – General Information

Scope

- 85.1 Entities that administer activities for the Australian Government must disclose administered financial statements as prescribed in the [Part K](#).

Disclosures

- 85.2 Administered financial statements must:
- (a) provide a brief description of the activities being administered on behalf of the Australian Government;
 - (b) include ‘administered’ as defined in [Division 4](#);
 - (c) include disclosures in relation to accounting policies in accordance with the relevant AAS (e.g., [AASB 1050](#)) and all applicable requirements of this schedule; and
 - (d) be in a different background shading to ‘departmental’.

GUIDANCE

General

- 85.71G Accounting policies for ‘administered’ are the same as those for ‘departmental’, unless stated otherwise in this schedule.
- 85.72G Each reporting entity with administered items or transactions is considered to have a separate ‘administered entity’ and ‘departmental entity’ for accounting and reporting purposes.

Changes in 2011-12

- 85.73G From 2011-12, administered disclosures will be made on the same basis as departmental. This means administered will follow the requirements for departmental.
- 85.74G For the purposes of entity-level disclosures, each entity's administered operations are treated as a separate entity requiring preparation of a full set of face statements.
- 85.75G Previously:
- (a) recognition of revenue for administered appropriations was prohibited; and
 - (b) sections 86.73G through 86.75G of the 2010-11 FMOs prescribed the treatment for transfers to and from the OPA as adjustments to administered cash held by an agency, rather than as cash flows related to operating or other activities.
- 85.76G From 2011-12, recognition of administered appropriations is as follows:
- (a) appropriations designated as contributions by owners are recognised as equity; and
 - (b) all others are recognised as revenue (in accordance with [Division 102](#)).
- 85.77G The administered appropriation framework has not changed, and as such, administered appropriations do not give rise to an appropriation receivable. Revenue must be recognised in accordance with [Division 102](#).
- 85.78G From 2011-12, transactions to and from the OPA are treated on a like-for-like basis. For example:
- (a) For administered revenue, the associated transfers to the OPA are treated as an expense in the administering entity's administered financial statements.
 - (b) Return of items initially designated as a contribution by owners (such as a repayment of loan principal) are treated as a return of capital in the administering entity's administered financial statements.
 - (c) Return of amounts drawn down in error and returned during the same financial year follows the designation of the item drawn down against. For example, the return of an operating appropriation drawn down in the same

reporting period is an adjustment to revenue.

85.79G Most transfers to the OPA are treated as expenses. Exceptions include:

- (a) return of capital; and
- (b) return of amounts drawn down in error and returned during the same financial year.

85.80G Administered cash flows must be classified as operating, investment etc. as appropriate in the same manner as departmental cash flows.

Impairment of administered assets

85.81G Estimates, averages and shortcuts may be applied under [AASB 136 para. 23](#) for determining fair value less costs to sell or value in use and this assessment can be made on a portfolio basis where this is appropriate (e.g., impairment of a large portfolio of statutory receivables).

85.82G The Australian Government as a whole is not considered a cash-generating operation. Therefore, the provisions of [AASB 136](#) in respect of cash-generating assets will apply to administered assets only where they are used to generate cash inflows primarily from outside the Australian Government economic entity.

Transfer payments

85.83G [AASB 1050 para. 22](#) requires entities to disclose the 'broad categories of recipients' of transfer payments and amounts transferred to those recipients. 'Broad categories of recipients' is not defined in [AASB 1050](#). Entities are required to determine the categories of recipients appropriate to their circumstances. Similar recipients or categories of recipients may be aggregated into broad categories for disclosure purposes. [Part K](#) provides examples of these categories.

87 Administered Investments

- 87.1** This division only applies to administered investments where the Government's interest is in the nature of:
- (a) subsidiaries under [AASB 127](#);
 - (b) associates under [AASB 128](#); or
 - (c) jointly controlled operations and jointly controlled entities under [AASB 131](#).
- 87.2** Other investments (e.g., a one per cent shareholding in a listed company) are accounted for under Division 45.
- 87.3** Administered investments:
- (a) are not considered controlled by the entities reporting them;
 - (b) must be disclosed in the administered financial statements;
 - (c) other than those held for sale in accordance with [AASB 5](#), must be measured at fair value; and
 - (d) must not be consolidated on a line-by-line basis into an entity's financial statements without approval from the Finance Chief Executive.
- 87.4** Entities must determine the fair value of administered investments using the following hierarchy:
- (a) observable market value; and
 - (b) where (a) is not available, valuation techniques.

GUIDANCE

Bodies of uncertain status

87.71G Administered investments include companies and authorities as well as certain bodies of uncertain status.

Valuation techniques

87.72G Generally, the observable market value approach is limited to for-profit public sector listed entities.

87.73G Among the valuation techniques that can be used under [section 87.4\(b\)](#) are:

- (a) *Discounted Cash Flows* – this method should be considered when an entity invests in another entity that generates significant non-government cash inflows and those cash flows can be reliably predicted; and
- (b) *Net Assets* – this method should be considered when an entity invests in another entity that does not generate significant non-government cash inflows or those cash flows cannot be reliably predicted.

87.74G For further information on fair valuation of administered investments, refer to:

- (c) [AASB 139 Appendix A para. AG69-82](#); and
- (d) [AASB 1049](#).

88 Administered Investments Held for Sale

Key principles

88.1 Administered investments held for sale:

- (a) are accounted for in accordance with [Division 45](#);
- (b) must be reported by the relevant Portfolio Department unless a formal agreement or decision has been made to transfer the investments to Finance (where there is no such formal agreement or decision, the Portfolio Department must report the investment, even when the sale process is managed by Finance); and
- (c) must be transferred at net book value.

Costs of sale

88.2 The costs of sale of an administered investment:

- (a) are expensed as incurred, regardless of whether the investment meets the criteria to be held for sale in [AASB 5](#);
- (b) must not be added to the carrying amount of administered investments; and
- (c) where the selling costs are expensed across a number of reporting periods, the total selling costs must be disclosed in a note to the administered financial statements.

Disclosures

88.3 Entities must disclose the followings for each sale of an administered investment:

- (a) proceeds from sale;
- (b) written down value of the asset sold;
- (c) recognised gain or loss on sale;
- (d) selling costs incurred; and
- (e) the net gain or loss after deducting selling costs incurred.

Date of transfer

- 88.4** Where a decision has been made to sell an administered investment, but the transfer date is not specified, the asset is deemed to have been transferred on the date of the sale decision.

GUIDANCE

General guidance on administered investment held for sale

- 88.71G Finance has responsibility for the sale of assets under an AAO; this does not mean that Finance needs to own the asset being sold.
- 88.72G For an asset to be transferred to Finance there needs to be a clear intention to transfer the asset, supported by a formal decision of the Australian Government or Ministerial agreement.
- 88.73G [AASB 5](#) does not apply to the restructuring of administrative arrangements (e.g., AAO). It only applies where an asset is being sold.
- 88.74G While administered investments held for sale are disclosed under [AASB 5](#), they are measured under [AASB 139](#) because they are financial assets.

Costs of sale of an administered investment - examples

- 88.75G Costs of sale of an administered investment typically include:
- (a) project management;
 - (b) advisory services;
 - (c) advertising and marketing;
 - (d) legal fees;
 - (e) scoping studies; and
 - (f) regulatory fees.

Part H RESTRUCTURES

OVERVIEW

Part H identifies the reporting treatments to be applied when an entity has been involved in a restructuring of administrative arrangements during the reporting period. This Part addresses valuation of assets and liabilities under a restructure of administrative arrangements and the appropriate accounting treatment to be applied for presentation of items in the financial statements.

92 Restructures of Administrative Arrangements

- 92.1** Where a restructure of administrative arrangements has occurred during the reporting period as per [AASB 1004](#), the relevant entities must:
- (a) disclose details of the restructure of administrative arrangements in a note in the financial statements;
 - (b) disclose ‘departmental’ and ‘administered’ separately; and
 - (c) recognise assets and liabilities transferred at their net book value immediately prior to transfer.
- 92.2** For the purposes of this division, the terms:
- (a) ‘government department’ in [AASB 1004](#) means any Government controlled entity; and
 - (b) ‘legislation or other authority’ in the definition of a restructure of administrative arrangements in [AASB 1004](#) means one of the followings:
 - (i) a decision of the Cabinet or Prime Minister;
 - (ii) an AAO;
 - (iii) an *Act* of Parliament or a Regulation under an *Act*; or
 - (iv) a written agreement between the relevant portfolio minister(s) and the Finance Minister or the Prime Minister, as appropriate.

GUIDANCE

- 92.71G Restructures of administrative arrangements apply to government controlled not-for-profit entities and for-profit government departments. [Section 92.2\(a\)](#) means that [AASB 1004 para. 54-59](#) apply to all Government controlled entities.
- 92.72G Accounting entries are not required to be processed by the date of the transfer for an entity to make the disclosures required by this division.
- 92.73G Some examples of situations which may meet the definition of a restructure of administrative arrangements include:
- (a) transfer of responsibility for delivery of goods and services including delivery of advice to the Australian Government;
 - (b) transfer of responsibility for managing assets and liabilities; and
 - (c) a reclassification between 'departmental' and 'administered'.
- 92.74G A restructure of administrative arrangements does not necessarily mean that a function is physically being relocated.
- 92.75G Entities must comply with the reporting requirements in [FMA Act section 51](#) on change of functions.
- 92.76G Transfers of cash representing prior years' unspent appropriations are accounted for against equity in the same way as other assets transferred as part of the restructure of administrative arrangements. [FMA Act section 32](#) determinations will need to be in place to enable the receiving entity to access and spend these appropriations. Entities should contact Cash Management Branch in the Financial Reporting and Cash Management Division in Finance for further information.

Part I APPROPRIATIONS

OVERVIEW

Part I comprises:

- Division 100 Appropriations – General Requirements, outlines when and how appropriations are recognised.
- Division 101 Departmental Appropriations – specifically prescribes the recognition and measurement of departmental appropriations.
- Division 102 Administered Appropriations – specifically prescribes the recognition and measurement of administered appropriations.
- Division 104 Appropriations – Disclosures, outlines the specific disclosure requirements for the appropriation tables.

100 Appropriations – General Requirements

Key principles

- 100.1** Entities must recognise and disclose appropriations (including special appropriations) in accordance with this schedule, regardless of whether the relevant amounts are considered to be material in accordance with [Division 12](#).
- 100.2** Recognition for accounting purposes is by the entity named in the relevant legislation or if not named, the portfolio department, or as otherwise determined by the relevant Ministers.

Amounts appropriated for payment to an authority

- 100.3** An amount appropriated to an entity for payment to an authority (either through annual or special appropriations) is an administered appropriation to the entity and is recognised and disclosed accordingly.

Adjustments to appropriations

100.4 The following are adjustments to appropriation receivable, and must not be recognised as appropriation revenue:

- (a) [FMA Act section 30](#);
- (b) [FMA Act section 30A](#);
- (c) [FMA Act section 31](#); and
- (d) [FMA Act section 32](#) (prior year appropriation only).

FMA Act section 32 transfers

100.5 For [FMA Act section 32](#) transfers, control of appropriation is lost or gained at the later of:

- (a) the date of the determination; or
- (b) the commencement date set out in the determination (note that [FMA Act section 32\(8\)](#) allows the transfer to take effect before or after the day it is registered).

GUIDANCE

Return of capital

100.71G The Australian Government establishes the entity's capital therefore a Ministerial decision is required to reduce an entity's capital.

Recognition and classification

100.72G The authoritative source for information about the classification and amount of annual appropriations for the period are the relevant annual *Appropriation Acts*.

FMA Act section 32 transfers

100.73G In relation to Machinery of Government and restructuring of administrative arrangements changes, refer to:

- (a) AAO;
- (b) [FMA Act section 32](#);
- (c) [Division 92](#) of this schedule;
- (d) [Finance Circular 2007/03 Section 32 of the FMA Act - Transfer of Agency Functions](#);
- (e) [FinanceBrief 6 Adjustment of Appropriations on Change](#)

[of Agency Functions](#); and

- (f) [Implementing Machinery of Government Changes: A Good Practice Guide \(Australian Public Service Commission\)](#).

Special appropriations – limited and unlimited

100.74G For further information on the allocation of responsibility for special appropriations refer to [Finance Circular 2005/13 Allocation of responsibilities for special appropriations](#).

Repayments by and to the Commonwealth (FMA Act Sections 28 and 30)

100.75G Refer to [Finance Circular No. 2011/04 Repayment by and to the Commonwealth \(Sections 28 and 30 of the FMA Act\)](#) for further guidance.

Relevant agency receipts (FMA Act section 31)

100.76G Refer to [Finance Circular No. 2008/07 Relevant Agency Receipts – FMA Regulations 15 and 16](#) for further guidance (**will update soon**).

Appropriations - quarantining

100.77G Although quarantining of an appropriation by Finance limits the ability of the entity to spend the appropriation, it does not result in loss of control of the appropriation. Consequently, quarantining has no impact on recognition or disclosure of the appropriation for financial reporting purposes.

101 Departmental Appropriations

Scope

101.1 Entities must recognise all departmental appropriations (including departmental special appropriations) that they are responsible for.

Recognition

101.2 The earliest point of recognition for accounting purposes is when the entity gains control of the appropriation. For:

- (a) loans specified in the *Appropriation Acts*, when drawn down from the OPA for the amount to be received;
- (b) departmental special appropriations (except for special accounts), when the obligation for which the special appropriation exists is incurred (up to the amount of the obligation);
- (c) special accounts, as per revenue recognition principles in [Division 120](#);
- (d) AFM (for Parliamentary Departments, advance to the responsible Presiding Officer), the date of the determination; and
- (e) all other departmental appropriations specified in the *Appropriation Acts*, at the later of:
 - (i) date of Royal Assent of the *Appropriation Act*; and
 - (ii) the commencement of the financial period the appropriation relates to (i.e., when the appropriation is effective).

101.3 Departmental appropriations (except for special appropriations) must be recognised at the amounts specified in the *Appropriation Acts* in the year of appropriation, adjusted, where applicable for formal additions and reductions. For departmental appropriations:

- (a) amounts designated as contribution by owners must be recognised as equity;
- (b) loan appropriations must be recognised as increases in borrowings – they are not revenue; and
- (c) all other amounts must be recognised as revenue.

Equity returns and adjustments

101.4 Departmental equity returns and adjustments must be recognised as a return of capital by adjusting contributed equity (not as a reduction in, or refund of, revenue).

Departmental equity returns:

- (a) occur where an entity:
 - (i) relinquishes control of funds which had been appropriation revenue in a previous reporting period; or
 - (ii) makes a payment to the OPA other than as a dividend referred to in [Division 41](#); and
- (b) are recognised in the financial statements at the earliest of:
 - (i) the date the appropriation amount is reduced as a consequence of Government policy;
 - (ii) the date of effect of a Ministerial direction;
 - (iii) the date of the determination reducing a departmental appropriation in accordance with annual *Appropriation Acts*; and
 - (iv) where (i) to (iii) above are not applicable, the date of the payment.

Formal additions or reductions

101.5 Formal additions or reductions necessitate adjustments to recognition and disclosure of appropriations to the extent they have not already resulted in adjustments in previous years.

101.6 To be a formal addition or reduction, the gain or loss of control event, as outlined below, must be evidenced in writing from the appropriate authority. Formal additions and reductions are as follows:

- (a) transfers of current year appropriation under [FMA Act section 32](#);
- (b) adjustments as stipulated by any agreement that provides for additional funding for over-delivery or a reduction of funding for under-delivery (such as purchasing, workload or other agreements), as well as funding arrangements that are specifically designed to not financially advantage or disadvantage an entity (appropriation on a no-win/no-loss basis). The agreements, at a minimum, must:

- (i) set out one or more quantifiable deliverable(s) and/or a specific amount of appropriation relating to each; and**
- (ii) be approved by, or arise from, Ministerial or Cabinet decisions prior to the funding being given;**
- (c) amounts determined by the Finance Minister (or delegate) or an entity's Minister or Presiding Officer under Part 3 of the *Appropriation Acts*; and**
- (d) all other adjustments made as a consequence of a decision of the Cabinet or the Prime Minister.**

GUIDANCE

Equity injections and returns

101.71G Departmental equity injections or returns can include restructuring of administrative arrangement agreements resulting from a transfer of function (refer to [Division 92](#) of this schedule) and determinations of reductions (for previous years) in accordance with the *Appropriation Acts*.

Appropriations – adjustments

101.72G Agreements referenced in [section 101.6\(b\)](#) that might require adjustments to appropriation include:

- (a) Air Passenger Processing Workload Growth Agreement;
- (b) Cabinet directives relating to funding for Defence deployment;
- (c) Centrelink Funding Model Agreement;
- (d) Child Support Agency Agreement; and
- (e) DFAT Passport Services Purchasing Agreement.

No-win/no-loss funding

101.73G For appropriations provided on a no-win/no-loss basis, the amount of additional funding to be recovered or the amount to be refunded is recognised in the financial statements in the current reporting period. This amount depends on the particular rules of the no-win/no-loss arrangement and may not be equivalent to the amount over or under spent.

101.74G No-win/no-loss funding amounts to be recovered or refunded are not disclosed in the appropriations note until the relevant appropriation is legally increased/decreased, which is typically in the subsequent financial year.

Formal additions or reductions – timing difference

101.75G This division determines when formal additions or reductions are recognised in the statement of comprehensive income. This may differ from the reporting period in which they are disclosed in the appropriations note. For instance, an entity can adjust appropriation revenue if there is a decision by the Cabinet or Prime Minister as per [section 101.6](#), but the adjustment is not disclosed in the appropriations note until the appropriation is legally adjusted.

Departmental supplementation

101.76G For accounting purposes, departmental supplementation is accounted for as follows:

- (a) recognition – the date of approval;
- (b) measurement – amounts designated as contribution by owners are recognised as equity and all other amounts are recognised as appropriation revenue; and
- (c) subsequent years – appropriations in subsequent years will be recognised to the extent that they have not been previously recognised.

101.77G For more information on departmental supplementation refer to EM 2010/18 – Changes to the Appropriation Framework.

Departmental capital budgets

101.78G Departmental capital budgets are accounted for as contributions by owners as owners (i.e., equity) as per EM 2010/58 Capital Budgeting Policy For Australian Government Agencies and EM 2010/06: Operation Sunlight: Net Cash Appropriation Arrangements – Creation of Departmental Capital Budgets and Capital Adjustments.

102 Administered Appropriations

Scope

- 102.1** Entities must recognise in their administered financial statements all administered appropriations (including administered special appropriations) that they are responsible for.

Recognition

- 102.2** The earliest point of recognition for accounting purposes is:
- (a) the date the amounts are drawn down to the entity's bank account for payment against the appropriation for:
 - (i) administered appropriations; and
 - (ii) administered special appropriations; and
 - (b) the date stated in the determination (if not stated, then the date of the determination) for other administered amounts determined by:
 - (i) the Finance Minister (or delegate);
 - (ii) the entity's Minister; or
 - (iii) the Presiding Officer under Part 3 of the *Appropriation Acts*.
- 102.3** For administered appropriations:
- (a) amounts designated as contribution by owners must be recognised as equity; and
 - (b) all other amounts must be recognised as revenue.

Payments to CAC Act bodies

- 102.4** Payments from an agency to an authority in the nature of:
- (a) an equity injection - are an increase to the carrying amount of the administered investment of the agency;
 - (b) loan appropriations to *CAC Act* bodies must be accounted for as loans receivable by the relevant Portfolio Department. Interest repayments must be recorded as revenue in the Portfolio Department's administered accounts, regardless of whether the interest is paid

- directly to the OPA or through the relevant Portfolio Department; and
- (c) other payments (i.e., not in the nature of equity injection or loans) are recorded as expenses by the agency.

GUIDANCE

Payments to CAC Act bodies

- 102.71G An amount appropriated to an agency for payment to an authority, either through annual or special appropriations, is an administered appropriation to the agency and is recognised accordingly. Authorities do not receive appropriations directly.
- 102.72G *CAC Act* body payment items only include those amounts appropriated to Portfolio Departments for payment to *CAC Act* bodies in the annual *Appropriation Acts*. They do not include amounts paid to *CAC Act* bodies under other arrangements (e.g., contractual arrangements or special appropriations).
- 102.73G For more information on payments to *CAC Act* bodies, see [Finance Circular No. 2008/09 Appropriations for Payment to CAC Act Bodies](#).

Appropriations – Indigenous Employment Special Account

- 102.74G For more information on administered amounts appropriated to entities from the Indigenous Employment Special Account, see [FinanceBrief 33](#).

Reducing administered appropriations

- 102.75G For more information on reductions of administered appropriation:
- (a) refer to EM 2011/25 *Reduction of Administered Appropriations*; or
 - (b) contact the Appropriation Team at Finance AMTMail@finance.gov.au.

Loan appropriations

- 102.76G For more information on loan arrangements, see EM 2009/37 – *Accounting Treatment of Loan Arrangements (will update soon)*.

Administered capital budgets

102.77G Administered capital budgets are accounted for as contributions by owners as owners (i.e., equity). as per EM 2010/58 Capital Budgeting Policy For Australian Government Agencies and EM 2010/06: Operation Sunlight: Net Cash Appropriation Arrangements – Creation of Departmental Capital Budgets and Capital Adjustments.

104 Disclosure of Appropriations

Disclosures - general

- 104.1** Entities must disclose the information contained in the tables below, in accordance with [Part K](#):
- (a) **Table A *Annual appropriations***;
 - (b) **Table B *Unspent annual appropriations***;
 - (c) **Table C *Special appropriations***;
 - (d) **Table D *Disclosure by agent in relation to annual and special appropriations***; and
 - (e) **Table E *Reduction in administered items***.
- 104.2** Tables A to E must be prepared on ‘recoverable GST exclusive’ basis. That is the followings are excluded:
- (a) **GST on payments that is recoverable from the ATO;**
 - (b) **GST received on taxable supplies that is payable to the ATO; and**
 - (c) **Payments to/refunds from the ATO of GST amounts.**

Parliamentary department appropriation acts and emergency acts

- 104.3** Entities must also apply the disclosures in this division to:
- (a) ***Parliamentary Department Appropriation Acts***; and
 - (b) ***Emergency Acts*** (such as those for the Northern Territory intervention).

Table A Annual appropriations

- 104.4** This table must be prepared on a cash basis.
- 104.5** The amounts shown must be the same as those set out in the relevant *Appropriation Acts*.
- 104.6** This table must include the following adjustments:
- (a) **appropriations reduced – reductions under the *Appropriation Acts* that adjust current year appropriations;**
 - (b) **AFM – appropriated in the current reporting period;**

- (c) [FMA Act section 30](#) – repayments for which the associated payment was made from current year appropriation;
 - (d) [FMA Act section 31](#) – receipts that have been recorded in the accounts and records of the entity during the end of the reporting period; and
 - (e) [FMA Act section 32](#) – only current year appropriation increased or decreased by section 32 determinations.
- 104.7** The column “Appropriation applied in 20XX (current and prior years)” must include cash payments plus appropriations credited to special accounts for the reporting period. This includes both current and prior year appropriations.
- 104.8** The following information must be disclosed as footnotes to this table:
- (a) a list of the *Appropriation Acts* (including section numbers) supporting amounts disclosed in these columns:
 - (i) ‘Appropriations reduced’; and
 - (ii) ‘AFM’;
 - (b) where applicable, a list of determinations by the Finance Minister supporting the amounts disclosed in the table detailing:
 - (i) the date of effect; and
 - (ii) the amount increased or decreased;
 - (c) formal additions or reductions recognised as per [Division 101](#) but at law the appropriation has not been amended;
 - (d) an explanation of all material variances between:
 - (i) the appropriation applied in the reporting period; and
 - (ii) the amount appropriated (or otherwise authorised) for the current period; and
 - (e) an explanation of all material administered reductions under:
 - (i) section 11 of *Appropriation Act 1, 3 and 5*; or
 - (ii) section 12 of *Appropriation Act 2, 4 and 6*.
- 104.9** The “Total reduction in administered items” for the reporting period in Table E must be disclosed in the column

“Appropriations reduced” in this table in the same reporting period.

Table B Unspent annual appropriations

104.10 Entities must disclose the following:

- (a) all unspent departmental and administered annual appropriations by *Appropriation Act* (including current and prior years appropriations); and
- (b) total unspent departmental annual appropriations and total unspent administered annual appropriations.

Table C Special appropriations

104.11 Entities must disclose the following for each special appropriation:

- (a) authority:
 - (i) for all special appropriations – the title of the legislation and whether the special appropriation is departmental or administered;
 - (ii) for special appropriations (limited amount) – limit for reporting period and appropriation lapsed; and
 - (iii) for special appropriations ([FMA Act section 39](#)) – total of prior year investments redeemed in current year and redemptions of current year investments (gross);
- (b) type (e.g., unlimited amount, refund, [FMA Act section 39](#) or limited amount);
- (c) purpose; and
- (d) appropriation applied:
 - (i) for special appropriations unlimited by amount, limited by amount or refund – the total of cash payments, amounts credited to special accounts less [FMA Act section 30](#) repayments; and
 - (ii) for special appropriations ([FMA Act section 39](#)) – the total investments made during the year.

104.12 Entities must disclose all public money invested in authorised investments under [FMA Act section 39](#) or surplus funds under [CAC Act section 18 and 19](#) in Table C.

104.13 Where investments are made under an *Act* of Parliament other than [FMA Act section 39](#), Table C requirements must be followed. The name of the relevant *Act* and section under which the investments were made must be disclosed. The title of the table must be amended appropriately.

Table D Disclosures by agent in relation to annual and special appropriations

104.14 Where an entity ('the spending entity') has paid money out of the CRF on behalf of another entity ('the responsible entity'):

- (a) the spending entity must disclose the following for each responsible entity:
 - (i) the name of the responsible entity;
 - (ii) total receipts and total payments (include departmental and administered items, as well as annual and special appropriations); and
 - (iii) the relationship between itself and the responsible entity; and
- (b) the responsible entity must:
 - (i) apply the reporting requirements outlined in this schedule; and
 - (ii) disclose the name of the spending entity as a footnote to the relevant appropriations note tables.

Table E Reduction in administered items

104.15 Amounts in this table must be presented to the cent.

104.16 Where an entity's outcome structure changes between financial years, it must prepare this table as follows:

- (a) Table E (current year) - prepared under the new outcome structure; and
- (b) Table E (comparative year) - prepared under the old outcome structure.

Adjustment of administered appropriations by Finance Minister

104.17 Where the required amount published in an entity's annual report is adjusted by the Finance Minister (or the required amount was not published, but was subsequently specified by the Finance Minister), the entity must disclose the following:

- (a) for the purposes of column “Appropriations reduced” in Table A – include the reduction as adjusted or subsequently specified by the Finance Minister, and also disclose the adjustment by way of footnote to Table A; and
- (b) for the purposes of Table E – a footnote detailing that the required amount has been amended by the Finance Minister and the total amendment.

GUIDANCE

General guidance

104.71G Payments to the ATO of GST amounts collected on receipts (whether notional or real) are not disclosed in the appropriations note.

Table A Annual appropriations

Formal additions or reductions under [Division 101](#)

104.72G Until such a time as funds are appropriated by Parliament, they are not legally available. For example, appropriations for additional outputs that are subject to formal approval by Parliament (as per [Division 101](#)) must not be recognised in Table A.

Explanation of material variances and reductions – notes to Table A

104.73G For the purposes of [section 104.8\(d\)](#), the following principles apply:

- (a) payments from the CRF not authorised by appropriation are always “material in nature” - an explanation is required irrespective of the amount;
- (b) where a line item in “Appropriation applied in 20XX (current and prior years)” column differ to the corresponding line item in “Total appropriation” column by:
 - i) a material amount - an explanation is required; and
 - ii) an immaterial amount - no explanation is required.

Table B Unspent annual appropriations

104.74G From 2011-12, Table B includes disclosures of unspent departmental and administered annual appropriations by Act.

Previously, only the former was required.

- 104.75G Unspent balances in Table B incorporate adjustments to appropriation under the *Appropriation Acts* and *FMA Act* (e.g. [FMA Act section 32](#) transfers), where applicable.

Table C Special appropriations

- 104.76G Table C disclosures are required for all special appropriations irrespective of whether the appropriation has been drawn on. Where a special appropriation has not been drawn on during the reporting period and the comparative period, a dash ('-') is to be placed in the 'Appropriation applied' columns for both reporting periods.

- 104.77G For special appropriations with the type refund, "Appropriation applied" is the total refunds made under [FMA Act section 28](#) (and other legislation where the refunds are similar in nature) by the entity during the year.

Table E Reduction in administered items

- 104.78G For advice on the appropriations reduction process, please contact Appropriations Team (AT), Cash Management Branch, Financial Management Group via AMTMail@finance.gov.au.

Drawing rights and acting as an agent

- 104.79G Where an entity receives an amount from another entity and retains it by increasing its appropriation, then pays this amount on to a third party, it is not acting as an agent. Acting as an agent only occurs when the entity uses drawing rights to directly access the appropriation of another agency.
- 104.80G For information on third party arrangements, refer to [Finance Circular 2009/07 Issuing and Exercising Drawing Rights](#).

Part J OTHER DISCLOSURES

OVERVIEW

Part J addresses specific disclosure requirements in the face statements and supporting notes, schedules and tables for special accounts, *FMA Act* section 39 investments and compensation and debt relief arrangements.

120 Special Accounts and FMA Act Section 39 Investments

Accounting

- 120.1** Transfers of appropriations that had previously been recognised as income by an entity to that entity's special accounts must not be recognised again as income to that entity. These transfers are internal transfers.

Disclosures

- 120.2** Entities must disclose the information contained in tables below in accordance with [Part K](#):
- (a) Table A *Special Accounts*; and
 - (b) Table B *Investments made under FMA Act section 39*.

Table A Special accounts

- 120.3** Table A must be prepared on a cash basis.
- 120.4** Table A must be prepared on 'recoverable GST exclusive' basis. That is, the followings are excluded:
- (a) GST on payments that is recoverable from the ATO;
 - (b) GST received on taxable supplies that is payable to the ATO; and
 - (c) payments to/receipts from the ATO of GST amounts.
- 120.5** Entities must disclose information on special accounts that existed in either the current year or comparative year regardless of whether they have been abolished or whether the relevant amounts are considered to be immaterial.

- 120.6** Where a special account has not been used during the current and the comparative reporting periods, the entity may make the following footnote disclosures instead of disclosing that special account in Table A:
- (a) the title of the special account;
 - (b) the purpose of the special account;
 - (c) the authority under which the special account was established;
 - (d) a statement noting the fact that the special account has not been used during the current and the comparative reporting periods; and
 - (e) the balance of the special account.
- 120.7** Where the status of a special account has changed during the reporting period (e.g., the account has been established, varied, revoked or abolished):
- (a) the nature and date of effect of each change must be disclosed as a footnote to Table A; and
 - (b) where the nature of these changes is significant, consideration must be given as to whether two tables should be prepared (one for before the change and one for after the change) to present the information in a true and fair manner.

Table B Investments made under FMA Act section 39

- 120.8** For all investments made under [FMA Act section 39](#), entities must disclose an overview of investment policy used as a footnote to Table B.

GUIDANCE

General guidance on special accounts

120.71G For information about special accounts, refer to [Finance Circular 2009/01 An Introduction to Special Accounts](#).

Comcare receipts

120.72G [Finance Circular 2006/10 Appropriation Arrangements for Employee Compensation Payments](#) provides detailed guidance

on the management of money related to Comcare payments.

Investment policies

120.73G An investment policy overview required by [section 120.8](#) include some or all of the following:

- (a) investment powers;
- (b) risk profile; and
- (c) length of investment.

Unidentified receipts

120.74G For unidentified receipts refer to the guidance in [Division 38](#).

Indigenous employment special account

120.75G For reporting requirements for agencies involved with the Indigenous Employment Special Account, refer to [FinanceBrief 33](#).

Assets held in trust

120.76G Assets held in trust that form part of the balance of a special account must also be reported in compliance with [Division 38](#).

121 Reporting of Outcomes

Scope

121.1 GGS entities must disclose outcomes in accordance with this division.

Disclosures

121.2 Entities included in the *Appropriation Acts* (budget funded entities) must report on Government approved outcomes. Non-budget funded entities must report the outcomes that have been approved by the Finance Minister.

121.3 Entities must disclose the information contained in tables below in accordance with [Part K](#):

- (a) *Table A Net cost of outcome delivery;*
- (b) *Table B Major classes of departmental expenses, income, assets and liabilities by outcome; and*
- (c) *Table C Major classes of administered expenses, income, assets and liabilities by outcome.*

121.4 Tables A, B and C must be disclosed as follows:

- (a) expenses, income, assets and liabilities at the outcome level; however, entities may choose to report some or all of this information at a lower level;
- (b) amounts in the total column in Tables A, B and C must agree to the corresponding totals in the entity's statement of comprehensive income and balance sheet, where relevant;
- (c) entities with only one outcome can omit Tables B and C but must disclose Table A;
- (d) major classes disclosed in Tables B and C must match the major classes applicable to the disclosing entity;
- (e) there must be a footnote to Table A detailing whether the net costs shown include intra-government costs (e.g., rent paid on Australian Government owned premises or fees for service) that would be eliminated in calculating the actual Budget outcome; and

- (f) where an entity has a complex performance reporting framework, Tables B and C can be formatted like the Outcomes Reporting Table of the [Department of Prime Minister and Cabinet's Requirements for Annual Reports](#). That is, the outcomes can run down the side of the table and the major classes of expenses, income, assets and liabilities across the top with totals inserted after expenses.

121.5 Payments to *CAC Act* bodies are not related to paying entity's outcomes and are therefore not attributed. They must, however, be included in the disclosures for completeness.

Attribution method

121.6 Entities must attribute shared items using a basis that most accurately allocates the expense, income, asset or liability to each outcome.

121.7 The attribution method used to apportion shared items must be reliable and must be disclosed in general terms in the text accompanying the tables. If this basis differs from that used in preparing the Budget, additional disclosure must be included to explain the variation.

Outcome changes during the reporting period

121.8 Where an outcome changes during the reporting period, entities must:

- (a) match the changed outcome to the adjusted outcome arrangements approved through the portfolio additional estimates process and published in the most recent *Appropriation Act*; and
- (b) apportion the expenses, income, assets and liabilities, such that entities report against the original outcome up to the date of the change and against the revised outcome after that date.

GUIDANCE

Comparative information and reclassification of items

121.71G Reclassification of an item between outcomes may result in a change in accounting policy and hence require restatement of comparative data and disclosure in the notes of entities' financial statements, in accordance with [AASB 108](#).

Outcomes tables

121.72G [AASB 1050](#) and [AASB 1052](#) use the term activities which generally equate to the term outcomes for departmental and administered items.

121.73G [AASB 1052 para. 16](#) requires disclosure of departmental assets and liabilities by major activity where they are reasonably attributable (and this schedule requires the same disclosure for administered assets and liabilities). Whether particular assets and liabilities cannot be reliably attributed is, however, a matter for each entity to determine.

122 Compensation and Debt Relief in Special Circumstances

General disclosure

- 122.1 The disclosures under this division must be prepared in the format prescribed by [Part K](#), even where zero balances occur in both the current and comparative years.
- 122.2 Entities that have the authority in relation to any of the following items must disclose a note in their financial statements showing expenses and liabilities for that item:
- (a) Act of Grace payments made under [FMA Act subsection 33\(1\)](#) as approved by the Finance Minister (or delegate);
 - (b) Tactical Payments Scheme payments made under [Part X of the Defence Act 1903](#) as approved by the Defence Minister (or delegate);
 - (c) waivers of amounts owing to the Australian Government, (being amounts that the entity would, but for the waiver, have been entitled to receive on behalf of the Australian Government);
 - (i) pursuant to [FMA Act subsection 34\(1\)](#); or
 - (ii) pursuant to other legislation, which must be specified.
 - (d) payments made under the [Compensation for Detriment caused by Defective Administration \(CDDA\) Scheme](#);
 - (e) payments made under approved ex-gratia programs, the nature of which must be identified; and
 - (f) payments made in special circumstances relating to APS employment pursuant to [section 73 of the PS Act](#).
- 122.3 The note must disclose:
- (a) the number of cases and total amount expensed during the reporting period under each of the mechanisms specified under [section 122.2](#); and
 - (b) the number and aggregate present value of future payments of those cases relating to any provisions at the end of the reporting period under each of the mechanisms specified under [section 122.2](#).

Act of Grace Payments

122.4 Where Act of Grace payments expensed during the reporting period, includes periodic payments for specified periods ([FMA Act subsection 33\(1\)\(b\)](#) refers), the note must separately identify the number of such cases and the total amount expensed in relation to those cases.

Tactical Payments Scheme Payments

122.5 The note must disclose the number of cases and total amount expensed by operation for Tactical Payments Scheme payments.

Debt Waivers

122.6 The note must disclose the number of cases and aggregate amount for each of the legislative provisions under which waivers have been granted. Each disclosure must indicate the relevant legislative provision (that is, *Act* and section, subsection or paragraph number).

GUIDANCE

Further information

122.71G Further information on the various mechanisms for compensation and debt relief can be found in [Finance Circular 2009/09 Discretionary Compensation and Waiver of Debt Mechanisms](#).

123 Competitive Neutrality and Cost Recovery

123.1 Entities that have made CN payments under the [Commonwealth Competitive Neutrality Policy Statement – June 1996](#), must explain and separately disclose the amount of each of the following in accordance with [Part K](#):

- (a) CN – Regulatory Neutrality Expense;
- (b) CN – Debt Neutrality Expense;
- (c) CN – State Tax Equivalent Expense;
- (d) CN – Commonwealth Tax Equivalent Expense;
- (e) CN – Other Expense; and
- (f) CN – Dividend.

123.2 Entities must disclose all receipts derived from cost recovery arrangements in accordance with [Part K](#).

POLICY

123.51P A TER requires an entity to calculate an income tax liability in a comparable manner to its competitors. This liability must be reported in accordance with [AASB 112](#). Where there is no TER, the entity can seek formal approval from the Portfolio Minister to adopt a suitable tax treatment.

123.52P CN payments must form part of the relevant line item to which they relate in the face statements and be disclosed separately in a note to that item. For example, Commonwealth tax equivalent expense forms part of income tax expense in the statement of comprehensive income and is disclosed separately in the income tax expense note.

Part K PRIMA FORMS

OVERVIEW

Part K outlines reporting requirements for the PRIMA Forms, detailing what entities are permitted to amend in relation to the PRIMA Forms.

150 PRIMA Forms

- 150.1** PRIMA Forms set out the prescriptive content, layout, and formatting requirements for all Australian Government entities in compiling and presenting their annual financial statements in compliance with common disclosure requirements of this schedule, the AAS and associated authoritative requirements.
- 150.2** Compliance with other reporting requirements in [Division 8](#) is required where appropriate to present a true and fair view.
- 150.3** Entities are permitted:
- (a) to include further disclosures as they deem appropriate to meet their stakeholders' information needs and be reflective of their operations;
 - (b) to exclude components of the PRIMA Forms that are not relevant to their operations or where no activity in either the current or previous financial reporting period has taken place, unless inclusion is mandatory under another part of this schedule;
 - (c) to alter or amend the numbering of notes (but not their sequencing) to the financial statements as set out within the PRIMA Forms to ensure the contextual and logical flow of information for stakeholders;
 - (d) to aggregate line items that are not material; and
 - (e) to amend disclosures such that they reflect the nature of the entity, its activities, financial results and position as at the reporting date (this includes amending Note 1 of the PRIMA Forms so that it appropriately discloses the entity's accounting policies).

GUIDANCE

150.71G The following PRIMA Forms are policy to this division:

- (a) Not-for-Profit PRIMA Forms; and
- (b) For-Profit PRIMA Forms.