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 2009

ACCOUNTING POLICY BRANCH
FINANCIAL REPORTING AND CASH MANAGEMENT DIVISION
FINANCIAL MANAGEMENT GROUP
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Part A INTRODUCTION

OVERVIEW

The Introduction sets out the purpose, authority and structure of the FMO and assists entities with references to further information.

Part A comprises three 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 Structure describes and illustrates the structure of this schedule, including the purpose, prescriptive/non-prescriptive nature and form of information presented as black letter legislation, policy and guidance. The division also describes the numbering convention used in this schedule.

Division 3 Further Information provides further references relating to financial reporting by Australian Government entities.

1 Legislative Authority

1.1 The Minister for Finance and Deregulation (Finance Minister) makes:

(a) the Financial Management and Accountability Orders (Financial Statements for Reporting Periods Ending on or after 1 July 2009) under subsection 63(1) of the FMA Act; and

(b) the Commonwealth Authorities and Companies Orders (Financial Statements for Periods Ending on or after 1 July 2009) under subsection 48(1) of the CAC Act.

1.2 These Orders are relevant to all reporting entities covered by:

(a) section 49 of the FMA Act; or

(b) clause 2 of Schedule 1 to the CAC Act.

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 the GFS framework is available, that treatment must be applied.
**GUIDANCE**

*This document*

1.71G Finance publishes this document, *FMO*, which includes Schedule 1 of the Orders referred to in section 1.1, as well as related policy and guidance.

1.72G The bold black text in this document is a reproduction of Schedule 1 of the Orders (in this document it is sometimes referred to as 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

(c) specify the accounting treatment to be applied when the AAS or legislation permit choice.

1.73G Additional material not forming part of the Orders is inserted in and around the Orders, consisting of:

(a) additional policy (text occurring in white boxes) being prescriptive principles, bases or rules that support the Orders. These are mandatory; and

(b) guidance (text that appears on green background), which is intended to assist in interpreting the black letter and policy.

1.74G Policies and guidance to this schedule are subject to change by Finance as and when these changes are required.

*CAC Act and FMA Act Orders*

1.75G The purpose of having identical requirements for Government entities is to achieve uniformity in financial reporting and assist in the preparation of the Australian Government consolidated financial statements as required under section 55 of the *FMA Act*. 
2 Structure

2.1 The following numbering conventions are used within this schedule:
(a) major components are parts, denoted by an upper case letter, e.g. A, B, C;
(b) parts are broken into divisions, denoted by a number. Divisions are not always numbered consecutively, to allow for future additions; and
(c) each division is further broken up into sections, which commence at .1 in each division.

GUIDANCE

2.71G Additional policy items have section numbers that are in the range 51 to 69 and include the letter P, for example, 6.51P.
2.72G Guidance items have section numbers that are above 70 and include the letter G, for example, 2.72G.
3  Further Information

**GUIDANCE**


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)](#);
- [FinanceBriefs](#);
- [Finance Circulars](#);
- [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](#) and
- [Corporations Act 2001](#).
**Part B  DEFINITIONS AND ABBREVIATIONS**

**OVERVIEW**

**Part B** defines key terms and abbreviations used throughout the Orders.

**4  Definitions**

**Active Market**
A market where all the following conditions exist:
(a) items traded within the market are homogenous;
(b) willing buyers and sellers can normally be found at any time; and
(c) the prices are available to the public.

(AASB 138 para. 8, AASB 136 para. 6, AASB 141 para. 8)

**Administrative Arrangements Order**
The functions and activities of the Government are administered in accordance with the AAO, issued from time to time by the Governor-General. The AAO establishes the matters to be dealt with by each Department of State, and the Acts of Parliament to be administered by each Minister.

**Administered Investments**
Administered investment is defined for the purpose of this schedule as an investment 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 Items**
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**
An agency is as defined in section 5 of the *FMA Act*. Briefly, agency means:
(a) Department of State (but not including any part of the Department that is a prescribed agency);
(b) Department of the Parliament; or
(c) an agency prescribed under Regulations to the *FMA Act*. Regulation 5 and its related schedule list the prescribed agencies.

**Amortisation**
The systematic allocation of the depreciable amount of an asset held under a finance lease or intangible asset, over its useful life.

(AASB 138 para. 8, AASB 116 para. 6)

**Appropriation**
For the purposes of this schedule, an authority under any Act or law to draw money from the CRF, whether or not the law
concerned used the word appropriation or appropriated.

<table>
<thead>
<tr>
<th><strong>Asset</strong></th>
<th>A resource:</th>
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<tbody>
<tr>
<td>(a)</td>
<td>controlled by an entity as a result of past events; and</td>
</tr>
<tr>
<td>(b)</td>
<td>from which future economic benefits are expected to flow to the entity; economic benefits being synonymous with service potential.</td>
</tr>
<tr>
<td></td>
<td>(AASB 138 para. 8, Framework for the Preparation and Presentation of Financial Statements Aus49.1)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Australian Government</strong></th>
<th>All bodies that comprise the public sector at the national level. This includes the Commonwealth, office holders, statutory corporations and their subsidiaries.</th>
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<thead>
<tr>
<th><strong>Australian Accounting Standards</strong></th>
<th>AAS and AASB Standards released by the AASB.</th>
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<thead>
<tr>
<th><strong>Authority</strong></th>
<th>A Commonwealth authority as defined in section 7 of the CAC Act. Also referred to in this schedule as a CAC entity.</th>
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<table>
<thead>
<tr>
<th><strong>Business Operation/s</strong></th>
<th>Function or functions within an agency that have been determined to be a business operation pursuant to section 5A of the Financial Management and Accountability Regulations 1997. They generally produce goods and services for persons or other entities at market prices and are not primarily funded by appropriations.</th>
</tr>
</thead>
</table>

<table>
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<tr>
<th><strong>Carrying Amount</strong></th>
<th>The amount at which an asset or liability is recognised after deducting any accumulated depreciation (or amortisation) and accumulated impairment losses.</th>
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<tr>
<td></td>
<td>(AASB 116 para. 6, AASB 136 para. 6, AASB 138 para. 8)</td>
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<tr>
<th><strong>Cash-generating Unit</strong></th>
<th>The smallest identifiable group of assets that generates cash inflows that is largely independent of the cash inflows from other assets or groups of assets.</th>
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<tr>
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<td>(AASB 5 Appendix A, AASB 136 para. 6)</td>
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<tr>
<th><strong>Collection Institutions</strong></th>
<th>The following entities are Collection Institutions:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>Australian Institute of Aboriginal and Torres Strait Islander Studies;</td>
</tr>
<tr>
<td>(b)</td>
<td>Australian National Maritime Museum;</td>
</tr>
<tr>
<td>(c)</td>
<td>Australian War Memorial;</td>
</tr>
<tr>
<td>(d)</td>
<td>National Archives of Australia;</td>
</tr>
<tr>
<td>(e)</td>
<td>National Film and Sound Archive;</td>
</tr>
<tr>
<td>(f)</td>
<td>National Gallery of Australia;</td>
</tr>
<tr>
<td>(g)</td>
<td>National Library of Australia;</td>
</tr>
<tr>
<td>(h)</td>
<td>National Museum of Australia; and</td>
</tr>
<tr>
<td>(i)</td>
<td>Old Parliament House.</td>
</tr>
</tbody>
</table>
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 and/or interest.

Consolidated Financial Statements (CFS)  The Australian Government's consolidated financial statements are the annual, end-of-year financial statements prepared under [section 55 of the FMA Act](#) and in accordance with AAS. The CFS report the consolidated results for the Australian Government as well as disaggregated information on the various sectors of government (GGS, PNFCs and PFCs).

Contingent Assets  A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

(\[AASB 137 para. 10\])

Contingent Liability  (a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

(\[AASB 137 para. 10\])

Cost  The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other AAS.

(\[AASB 116 para. 6, AASB 138 para. 8, AASB 140 para. 5\])

Cost Recoveries  Revenues recovered directly from the provision of goods and services, including user charges. Cost recoveries do not include intra/inter-Government charging, charges by GBEs, competitively neutral commercial charging arrangements, general taxation, repayment of loans to the Australian Government, receipts from asset sales, including sales and licensing of patents or intellectual property, rental of property, royalties or other property related incomes, fines and penalties, payments by customers to non-Australian Government entities where Commonwealth policies may affect prices, receipts from one-off
specific policy measures, charges relating to industry-Government partnerships, statutory marketing levies, and fees charged by courts and tribunals.

**Costs to Sell**  
The incremental costs directly attributable to the disposal of an asset (or disposal group) excluding finance costs and income tax expense.

*(AASB 5 Appendix A)*

**Departmental Items**  
those items which the entity controls that are applied to the production of the entity's own outputs. Refer to Division 15 for further information.

**Depreciable Amount**  
The cost of an asset, or other amount substituted for cost, less its residual value.

*(AASB 116 para. 6, AASB 138 para. 8, AASB 136 para. 6)*

**Depreciated Replacement Cost**  
The current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

*(AASB 136 para. Aus6.2)*

**Depreciation**  
The systematic allocation of the depreciable amount of an asset over its useful life.

*(AASB 116 para. 6)*

**Drawdown**  
An authorised transmission (drawdown) of funds from the OPA to either the respective agency's Official Administered Payments account or Official Departmental account.

**Employee**  
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.

(derived from AASB 2 Appendix A)

**Employee Benefits**  
All forms of consideration given by an entity in exchange for services rendered by employees.

*(AASB 119 para. 7)*

**Employee Entitlements**  
Refer to Employee Benefits.

**Entity**  
Refers to an:

(a) an agency;

(b) an authority;
(c) 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.

**Equity**

The residual interest in the assets of the entity after deducting all its liabilities.

*(Framework for the Preparation and Presentation of Financial Statements para. 49)*

**Expenses**

Decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

*(Framework for the Preparation and Presentation of Financial Statements para. 70)*

**Fair Value**

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

*(AASB 116 para. 6, AASB 119 para. 7, AASB 132 para. 11, AASB 138 para. 8, AASB 139 para. 9)*

**Finance Briefs**

Provide clarification and guidance on the Government’s accounting and financial reporting policies as required throughout the year and are prepared by Finance.

**Finance Chief Executive**

Secretary of the Department of Finance and Deregulation.

**Finance Lease**

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

*(AASB 117 para. 4)*

**Financial Instrument**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*(AASB 132 para. 11)*

**Financial Report/Statements**

Includes:
(a) the primary statements, schedules and notes required by this schedule; and
(b) any other certificates, reports and notes (other than the auditor’s report and annual report) attached to or intended to be read with the statements and notes required by (a);
prepared in relation to:
- the agency or authority; and
- where the agency or authority is a parent entity, the economic entity comprising the agency or authority and its subsidiaries.

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.

For-Profit Entities
Any entity that does not meet the definition of a not-for-profit entity.

Gains
Gains represent items of income that are not revenue.
*(Framework for the Preparation and Presentation of Financial Statements para. 75)*

General Government Sector
Institutional sector comprising all government units and non-profit institutions controlled and mainly financed by government.

Government Business Enterprises
A Commonwealth authority or Commonwealth company that is prescribed as a GBE in regulations under the Commonwealth Authorities and Companies Regulations 1997.

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. Grants can take the form of money, property or technical assistance and subsidies. (See also AASB 120 para. 3)

Held for Sale
An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.
*(AASB 5 para. 6)*

Impairment Loss
The amount by which the carrying amount of an asset exceeds its recoverable amount.
*(AASB 116 para. 6, AASB 136 para. 6, AASB 138 para. 8)*

Income
Increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants. Income can be comprised of revenue and gains.
*(Framework for the Preparation and Presentation of Financial Statements paras. 70(a) and 74)*

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.

**Intangible Asset**

An identifiable non-monetary asset without physical substance.  
*(AASB 138 para. 8)*

**Liability**

A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.  
*(AASB 137 para. 10)*

**Material**

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size and nature of the item, or a combination of both could be the determining factor. Refer to section 12.1.  
*(AASB 101 para. 11, AASB 108 para. 5, AASB 1031 Appendix)*

**Not-For-Profit Entities**

An entity whose principal objective is not the generation of profit. A not-for-profit entity can be a single entity or a group of entities comprising the parent and each of the entities that it controls.  
*(AASB 116 para. Aus6.1)*

**Operating Lease**

A lease other than a finance lease *(AASB 117 para. 4).*

An operating lease does not transfer substantially all the risks and rewards incidental to ownership of the leased asset.  
*(AASB 117 para. 8)*

**Outcomes**

The results, impacts or consequences of actions by the Australian Government on the Australian community. Outcomes are the results or impacts 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**

For *FMA Act* agencies, it consists of all income with the exception of appropriation revenue. *FMA Act* section 31 revenue is included as own-source income.

For *CAC Act* authorities, it consists of all income except revenue from Government.

**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.

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
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<tbody>
<tr>
<td>Personal Benefit Payments</td>
<td>Current transfers for the benefit of individuals or households (for example, child care and family tax benefits) that do not require any economic benefit to flow back to Government.</td>
</tr>
<tr>
<td>Portfolio Budget Statements</td>
<td>The aggregation of agency budget statements by portfolio.</td>
</tr>
<tr>
<td>Primary Financial Statements</td>
<td>The statement of comprehensive income, balance sheet, statement of changes in equity and cash flow statement.</td>
</tr>
<tr>
<td>Provision</td>
<td>A liability of uncertain timing or amount. (AASB 137 para. 10)</td>
</tr>
<tr>
<td>Public Financial Corporations</td>
<td>Public sector corporations which are engaged in providing financial intermediation services or auxiliary financial services, as listed in the <em>flipchart of FMA Act Agencies / CAC Act Bodies</em> or <em>List of Australian Government Bodies and Governance Relationships</em> as at 1 October 2009 available from Finance’s website.</td>
</tr>
<tr>
<td>Public Money</td>
<td>Includes: (a) money in the custody or under the control of the Commonwealth; or (b) money in the custody or under the control of any person acting for or on behalf of the Commonwealth in respect of the custody or control of the money; including such money that is held on trust for, or otherwise for the benefit of, a person other than the Commonwealth. (FMA Act section 5)</td>
</tr>
<tr>
<td>Recoverable Amount</td>
<td>Means the higher of: an asset’s fair value less costs to sell, and its value in use. (AASB 5 Appendix A, AASB 136 para. 6)</td>
</tr>
<tr>
<td>Redundancy</td>
<td>Termination of employment which is not a result of any personal act or fault of individual employees nor of any characteristic peculiar to them. Their employment is terminated because the employer no longer requires their jobs to be filled by anyone.</td>
</tr>
<tr>
<td>Reimbursement</td>
<td>To make repayment to a party for expense or loss incurred.</td>
</tr>
<tr>
<td>Reserves</td>
<td>Equity items, including: (a) amounts set aside out of profits; or (b) other net movements not reflected in the profit or loss (or surplus or deficit) (such as net gains on revaluation of assets).</td>
</tr>
<tr>
<td>Resources Received</td>
<td>Services received for no or nominal consideration that would have been purchased if they had not been donated, and that can be</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Free of Charge</td>
<td>reliably measured.</td>
</tr>
<tr>
<td>Responsible Agency</td>
<td>The agency named in the relevant legislation or if not named, the portfolio department, unless determined otherwise by the relevant Minister.</td>
</tr>
<tr>
<td>Revaluation</td>
<td>The act of recognising a reassessment of the carrying amount of an asset to its fair value as at a particular date, but excludes recoverable amount write-downs and impairment losses.</td>
</tr>
<tr>
<td>Revenue</td>
<td>The gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. (AASB 118 para. 7)</td>
</tr>
<tr>
<td>Special Account</td>
<td>Essentially a ledger entry within the CRF which is supported by standing appropriations (FMA Act sections 20 and 21). Special accounts allow money in the CRF to be notionally set aside for a particular purpose.</td>
</tr>
<tr>
<td>Special Appropriations</td>
<td>Money appropriated under a specific Act of Parliament for a specific purpose that usually do not require annual authorisation by the Parliament.</td>
</tr>
<tr>
<td>Special Public Money</td>
<td>Special public money means public money that is not held on account of the Commonwealth or for the use or benefit of the Commonwealth. (For example, money that the Commonwealth holds on trust.) (FMA Act subsection 16(4))</td>
</tr>
<tr>
<td>Standing Appropriations</td>
<td>A subset of special appropriations where the amount appropriated is determined by reference to legislative criteria or conditions, (also known as appropriations unlimited by amount).</td>
</tr>
<tr>
<td>Subsidy</td>
<td>A grant made that supplements the cost of a good or service.</td>
</tr>
<tr>
<td>Transfer Payments</td>
<td>Transfer payments are those payments which an agency is responsible for transferring to eligible recipients under legislation or some other authority, but that the agency does not control. Transfer payments may include:</td>
</tr>
<tr>
<td></td>
<td>(a) personal benefit payments such as:</td>
</tr>
<tr>
<td></td>
<td>(i) unemployment benefits;</td>
</tr>
<tr>
<td></td>
<td>(ii) family allowances; and</td>
</tr>
<tr>
<td></td>
<td>(iii) age and invalid pensions;</td>
</tr>
<tr>
<td></td>
<td>(b) disaster relief; and</td>
</tr>
<tr>
<td></td>
<td>(c) grants and subsidies made to other entities.</td>
</tr>
<tr>
<td>Unexpired Discount</td>
<td>The difference between the grant component of the concessional loan recognised on initial recognition and any subsequent unwinding (writing back) of the grant component.</td>
</tr>
</tbody>
</table>
Useful Life

(a) The period over which an asset is expected to be available for use/used by the entity; or

(b) the number of production or similar units expected to be obtained from the asset by the entity.

(AASB 116 para. 6)

Value in Use

The present value of the future cash flows expected to be derived from an asset or cash-generating unit.

In respect of not-for-profit entities, value in use is depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset’s ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits.

(AASB 5 Appendix A, AASB 136 para. 6 and para. Aus32.1)
5 Abbreviations

This schedule contains references to the sources of accounting and disclosure requirements. Key abbreviations used are as follows:

AAO Administrative Arrangements Order

AAS *Australian Accounting Standards* (issued by the AASB or its predecessor bodies)

AASB The Australian Accounting Standards Board established under the *Australian Securities and Investments Commission Act 2001*, or the AAS issued by the Board, as the case requires

ANAO Australian National Audit Office

APS Australian Public Sector

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 *Commonwealth Authorities and Companies Act 1997*

CFO Chief Financial Officer or Chief Finance Officer

CN Competitive Neutrality

CRF Consolidated Revenue Fund

ED Exposure draft for a proposed Accounting Standard issued by the AASB

Finance Department of Finance and Deregulation

*FMA Act* The *Financial Management and Accountability Act 1997*

FMO The *Financial Management and Accountability Orders (Financial Statements for Reporting Periods Ending on or after 1 July 2009)* made by the Finance Minister under the authority of *section 63 of the FMA Act* and the *Commonwealth Authorities and Companies Orders (Financial Statements for Periods Ending on or after 1 July 2009)* made by the Finance Minister under the authority of *section 48 of the CAC Act*

FRC Financial Reporting Council
GBE  Government Business Enterprise
GFS  Government Finance Statistics
GGS  General Government Sector
IASB  International Accounting Standards Board
IFRSs  International Financial Reporting Standards (issued by the IASB)
OPA  Official Public Account
PFC  Public Financial Corporation
PNFC  Public Non-Financial Corporation
PRIMA  Primary Reporting and Information Management Aid
PS Act  *Public Service Act 1999*
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 is to be applied and by which entities. It specifies the form and order in which information is to be presented including requirements regarding materiality and rounding. It includes requirements for certificates to be attached to the financial statements and lists exemptions from this schedule.

6 Commencement

6.1 Subject to section 6.2, the requirements of this schedule, including Annexure A, apply to financial statements prepared for reporting periods ending on or after 1 July 2009. These requirements replace previously published Finance Minister’s Orders for financial reporting.

6.2 For entities that cease to exist on or after 1 July 2009, the financial reporting requirements set out in this schedule shall apply.

POLICY

Reporting Period

6.51P Entities that have reporting periods ending on 31 December 2009 shall report in accordance with this schedule.
7  **Applicable Entities**

7.1  Financial statements must be prepared for the following entities:
(a)  each agency and authority;
(b)  the economic entity, comprising the agency or authority and its subsidiaries; and
(c)  each activity or activities of an agency that is/are determined to be a business operation.

**POLICY**

**Business Operations**

7.51P  In determining whether an activity, or a group of activities, should properly be characterised as a business operation, the following factors must be considered. Whether:
(a)  the activity is commercial in nature or whether the activity operates in a commercial manner, e.g. it charges commercially for services and goods it provides and it meets the costs normally met by a commercial operation;
(b)  the activity generates significant external revenue or sufficient revenue to meet, on an ongoing basis, a major portion of its expenditure, however acknowledging that the activity’s operations may require some government subsidy regularly, or from time to time; and
(c)  the nature of the activity requires separate disclosure and transparency of operations (e.g. high level of stakeholder interest).

7.52P  Agencies must prepare separate financial statements for each business operation, in addition to presenting this information in their agency financial statements.

**GUIDANCE**

**Business Operations**

7.71G  Refer to Schedule 1 of the *Determination of Business Operations under Financial Management and Accountability Regulations 1997* for activities to be treated as business operations.
8 **Authoritative Requirements**

8.1 Where there is a conflict between this schedule and any other named authoritative requirement in section 8.2, entities are to apply the provisions in this schedule.

8.2 Subject to section 8.1, the financial statements of each entity must comply with the applicable financial reporting framework for Australian Government entities. This framework comprises and requires entities to:

(a) comply with:
   (i) all applicable requirements of this schedule including Annexure A and other policies issued by Finance;
   (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 and Annexure A;
   (ii) the *Statements of Accounting Concepts 1 and 2* (SACs);
   (iii) the *AASB Framework for the Preparation and Presentation of Financial Statements*; and

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**GUIDANCE**

*Have regard to*

8.71G 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 The financial statements of each entity must:
   (a) include the primary financial statements, schedules and notes in the form prescribed in Annexure A;
   (b) include all note disclosures specified in this schedule and outlined in Annexure A;
   (c) be presented in the English language and Australian dollars; and
   (d) for entities that operate on a for-profit basis, disclose that fact.

9.2 The financial statements of each entity must be presented in the following order:
   (a) statement required by section 14.2 or 14.3;
   (b) primary financial statements (statement of comprehensive income, balance sheet, statement of changes in equity and cash flow statement); and
   (c) schedules and notes to the financial statements.

9.3 Comparative information must be disclosed in the financial statements unless not required by this schedule or AAS.

9.4 This schedule applies to departmental as well as administered items unless otherwise specified.

9.5 Entities must include sub-total rows and/or columns in Annexure A notes as required to reconcile to line items on the face of the primary statements. Additional total and sub-total rows and columns may be included to present information required by AAS or to improve the clarity of the financial statements.

9.6 Where zero balances occur in the current and comparative years, the line item may be omitted, except for balances that relate to the following items:
   (a) Compensation and debt relief disclosures under Division 122; and
   (b) Remuneration of Auditors.

POLICY

Cross-referencing

9.51P Each disclosure required by this schedule must 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.
GUIDANCE

Professional Judgement

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

Balance Sheet Comparatives

9.72G From 2009-10, where entities apply an accounting policy retrospectively, entities should make a retrospective restatement of items in their financial statements or reclassify items in their financial statements. AASB 101 para. 39 requires three balance sheets to be presented as at:

(a) the end of the current period;
(b) the end of the previous period (which is the same as the beginning of the current period); and
(c) the beginning of the earliest comparative period.
10 **Simplified Reporting**

10.1 Entities may adopt the simplified reporting provisions set out in sections 10.2 to 10.6 having regard to section 8.2 and the order of information outlined in Annexure A.

**Presentation of Primary Financial Statements**

10.2 Where an entity’s net surplus/deficit is solely attributable to the Australian Government in both the current and immediately preceding reporting periods, the statement of comprehensive income line items titled surplus (deficit) attributable to the Australian Government, surplus (deficit) attributable to any non-controlling interest and total comprehensive income (loss) attributable to any non-controlling interests may be omitted.

10.3 Where an amount is disclosed on the face of a primary financial statement, it is not necessary to repeat this information in the notes to the financial statements, unless this is required in conjunction with the presentation of other information.

**Notes to the Financial Statements**

10.4 Where the fair value of each class of an entity’s financial assets and financial liabilities equals its carrying amount in both the current and immediately preceding reporting periods, entities may state this fact rather than disclosing fair values alongside carrying amounts.

10.5 In relation to Division 122 of this schedule, an entity that has no transactions in either the current reporting or any comparative period, must disclose by way of a note that there were no such transactions or balances.

10.6 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, the fact that there are no such items must be disclosed in the notes to the financial statements.

**GUIDANCE**

**Simplified Reporting**

10.71G The purpose of Division 10 is to ensure that items with little information value do not detract from the overall quality of financial statements.

10.72G Annexure A of this schedule sets out the classes of income, expenses, assets, equity and liabilities that must be presented on the face of the primary financial statements. Further breakdowns of some of these classes are required to be disclosed in the notes. Under section 10.3 these breakdowns can be included on the face of the primary financial statements.
11 Early Adoption of Accounting Pronouncements

11.1 If an entity wishes to adopt a new 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 a new AAS or AASB Interpretation.

GUIDANCE

11.71G Entities must seek approval for early adoption of a new AAS due to the potential effect on the preparation of the Australian Government consolidated financial statements.
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 Information is material if its omission, misstatement or non-disclosure has the potential, individually or collectively, to:

(a) influence the economic decisions of users taken on the basis of the financial statements; or
(b) affect the discharge of accountability by management or the governing body of the entity.

12.3 Entities must prepare financial statements to reflect materiality of information pursuant to this schedule at the individual entity level.

12.4 Entities must maintain proper accounting records to support all disclosures required by this schedule and the supporting policy.

12.5 Each change in accounting policy must be disclosed separately.

**POLICY**

**Materiality and Presentation of Information**

12.51P Entities should present all information necessary to ensure true and fair disclosure. In addition to the requirements of section 12.3, 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.

**Retention and Maintenance of Accounting Records**

12.52P Proper accounting records of all transactions must be maintained in accordance with legal requirements, including:

(a) section 48 of the FMA Act;
(b) section 20 of the CAC Act;
(c) order 4 of the Financial Management and Accountability Orders (Financial Statements for Reporting Periods Ending on or after 1 July 2009);
(d) sections 9 and 12 of the Electronic Transactions Act 1999; and
(e) section 24 of the Archives Act 1983.

In addition, there may be record-keeping requirements under other legislation beyond the scope of this schedule, e.g. tax laws.
**GUIDANCE**

**Materiality**

12.71G In the preparation of financial statements, materiality is considered and determined by entities with reference to AASB 1031.

12.72G AASB 1031 states that significant professional judgement is required when determining the materiality of items. Such judgement is influenced by:
(a) the nature of the entity’s operation/s;
(b) the size of the entity;
(c) materiality requirements outlined in applicable AAS;
(d) the type of the transaction classes of the entity;
(e) any legislative requirements; and
(f) the users of the financial statements.

12.73G Generally, transactions and items need to be considered in context of an appropriate measurement base (this is not the case when an item is deemed to be material by this schedule). An appropriate measurement base could be all items in the financial statements, relative items, or classes of items. For example:
(a) balance sheet items could be assessed relative to the appropriate asset or liability base;
(b) cash flow items could be assessed against the net cash flow for operating, investing or financing activities; and
(c) Statement of comprehensive income items could be assessed against relative net revenue and net expense figures.

Professional judgement is critical to this assessment process.

12.74G Entities should be aware that auditors will determine their own level of materiality in accordance with Australian Auditing Standards (ASA), established under the Auditor General Act 1997.

**Retention and Maintenance of Accounting Records**

12.75G Retention and maintenance of proper accounting records provides evidentiary support for the true and fair presentation of financial statements.
13 **Rounding Off**

13.1 Unless otherwise provided in this schedule, amounts in the financial statements may be rounded off to the nearest dollar, or where applicable as follows:

(a) where a reporting entity has assets, liabilities, expenses, income, commitments or contingencies in excess of $10 million — it may round an amount to the nearest $1,000, unless that amount is less than $500, in which case the amount should be rounded to zero; and

(b) where a reporting entity has assets, liabilities, expenses, income, commitments or contingencies in excess of $1 billion — it may round an amount to the nearest $1 million, unless that amount is less than $500,000, in which case the amount should be rounded to zero.

13.2 The thresholds in section 13.1 must be applied separately to departmental and administered reporting.

13.3 Subject to section 13.4, amounts reported in the notes to the financial statements for appropriations, special accounts and outcomes are to be rounded to the nearest dollar, or $1,000 where the entity meets the requirements of paragraph 13.1(a). Paragraph 13.1(b) does not apply.

13.4 The items relating to appropriations in the following tables are not to be rounded and are excluded from the requirements in section 13.5:

(a) section 104.15 Table A2; and

(b) section 104.16 Table B2.

13.5 Except where otherwise provided by this schedule:

(a) rounding must be applied consistently within departmental reporting; and

(b) rounding must be applied consistently within administered reporting.

13.6 Rounding need not be consistent between departmental and administered reporting, with the exception of appropriations, outcomes and special accounts disclosures.

13.7 Materiality must be considered prior to rounding generally, to ensure rounding does not affect whether or not the item is considered material.

**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 If the following items are rounded to the nearest $1,000, amounts that are less than $500 must be disclosed as a nil balance in the financial statements with appropriate explanatory text:

(a) appropriations under [Part I](#);

(b) special accounts under [Division 120](#); and
(c) compensation and debt relief disclosures under Division 122.

13.53P These rounding provisions apply only to the preparation of financial statements and not to supporting accounting records.
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’ financial statements 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 subsection 49(3) of the FMA Act and subclause (2) of Schedule 1 of the CAC Act.

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.
15 **Departmental and Administered Items: Classification and Reporting**

15.1 With the exception of items covered under Division 38, agencies must distinguish items as departmental or administered in the financial statements for all disclosures outlined in this schedule.

15.2 The financial statements of agencies must present departmental and administered items in accordance with Cabinet decisions on their classification.

15.3 No changes are to be made to the classification of existing items without the approval of Cabinet or the Finance Minister.

15.4 Money held in trust for other persons is neither departmental nor administered. Specific reporting requirements apply in relation to assets held in trust (refer to Division 38 of this schedule).

**POLICY**

**Departmental v Administered**

15.51P Since 1 July 2007, the determination, as either departmental or administered, is decided by the Cabinet through the consideration of new policy proposals (NPP). Determinations are made with regard to the principles of control in AASB 1050 based on the criteria in paragraph 15.72G.

15.52P The classification of existing items, in addition to any other situations not considered above, will be made by the Finance Minister, in consultation with the Prime Minister where necessary.

**CAC Act bodies**

15.53P Unless directed by Cabinet or Finance Minister (Division 15) CAC bodies are not to recognise monies collected on behalf of the Commonwealth as an administered revenue or asset of the CAC Act body. The relevant FMA Act agency will make the appropriate disclosures.
GUIDANCE

Reclassification of Departmental and Administered Items

15.71G Reclassification of an existing item is not a change in accounting policy.

Criteria for Classifying Items

15.72G Cabinet will use the following to distinguish between departmental and administered items:

(a) Items associated with the day-to-day operations and program support activities of the department or agency will be classified as departmental, including:
   (i) all salaries and related employment costs, superannuation and other employee benefits other than those specifically determined as being administered in nature;
   (ii) property operating expenses;
   (iii) goods and services used for operations and program support including contractor and consultancy services, research, advertising and public relations services (excluding campaign and program advertising);
   (iv) accounts payable and receivable for departmental operations;
   (v) revenue retainable by government policy (e.g. net appropriations); and
   (vi) assets for the entity’s own use, including IT systems.

(b) Administered items includes:
   (i) all taxes, statutory fees, fines, excises, subsidies, grants and transfers to and from individuals or organisations outside the Government;
   (ii) assets and expenses for specific government purposes;
   (iii) specific purpose payments, payments to the states, territories and local government (the States);
   (iv) public debt liabilities;
   (v) liabilities for public sector superannuation schemes; and
   (vi) direct program costs, being design and delivery costs and including grants and campaign advertising.

15.73G The key distinction is that activities appropriated as administered usually operate under eligibility rules and conditions set by the Government and Parliament, with little if any discretion for agencies’ Chief Executive Officers in the delivery of these activities or the resources allocated to them. Departmental activities operate within general government policy, but the Chief Executive Officer of the agency has a greater level of discretion in the allocation of resources within the agency to meet government objectives, taking into account changing circumstances and
requirements.

15.74G Where the classification is not immediately identifiable or where there is uncertainty about which classification should be applied, the Budget Framework Branch within Finance should be contacted to assist in resolving the issue.
16 **Exemptions from this Schedule**

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 that were granted under section 16.1 and Division 17.

**GUIDANCE**

16.71G An exemption that has been granted and not applied by the entity does not have to be disclosed under section 16.3.
17  Approved Exemptions

17.1 Certain limited exemptions to this schedule apply to entities as specified below.

17.2 Section 33.7 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 33.2, 33.3, 33.5 and 33.6 relating to valuation of non-financial assets.

17.3 Section 23.1 provides an exemption to for-profit entities from making disclosures under Division 23, however these entities are required to make the necessary disclosures in accordance with AASB 124.

17.4 Section 44.3 provides an exemption to PFCs and GBEs allowing them to 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 are to apply the direct to equity option of recognising actuarial gains and losses for defined benefit plans as outlined in AASB 119.

17.5 The Australian Office of Financial Management (AOFM) is excluded from the requirement to present the schedule of administered items and associated administered notes required by section 85.1 and Annexure A. However, AOFM must instead adhere to the statement of comprehensive income reporting requirements of AASB 101.

17.6 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.

17.7 The Reserve Bank of Australia is not required to prepare financial statements in the format prescribed by Annexure A. 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.

17.8 The Future Fund is exempt from presenting the financial statements required by this schedule and Annexure A, 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 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.
17.9 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*.

17.10 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 Annexure A;
(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.

17.11 The Land Account is required to present its administered activities in departmental format as illustrated in Annexure A. The accounting policy note must clearly state that all activities are administered.

17.12 Other entities that include the activities of the Land Account must continue to comply with this schedule in the preparation of their financial statements.

17.13 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 17.10 under the same conditions imposed on the Land Account in sections 17.11 and 17.12.

17.14 The Australian Reinsurance Pool Corporation (ARPC) is not required to prepare financial statements in the format prescribed by Annexure A. ARPC may determine the format of the financial statements to the extent that it applies generally accepted industry reporting principles and applicable AAS.

17.15 The Australian National University (ANU) is exempt from the requirements of Division 18 and the format of the statement of comprehensive income in Annexure A, 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 are not inconsistent with AAS.
Part D  STATEMENT OF COMPREHENSIVE INCOME  
(Excluding Appropriations)

OVERVIEW

Part D primarily 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, 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.

GUIDANCE

18.71G  AASB 101 was amended for 2009-10 and 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).

Section 18.1 removes option (b) for Australian Government entities.

18.72G  Presenting items in a single statement of comprehensive income ensures that all transactions that are in the nature of income and expenses are disclosed together.

18.73G  Prior to 2009-10, components of other comprehensive income (as defined in AASB 101 para. 7) were disclosed in the statement of changes in equity.

Net Cost of Services (NCOS)

18.74G  The NCOS approach requires the statement of comprehensive income to be presented in a new format (see Annexure A) that emphasises the net cost of service delivery.

18.75G  The first section of the statement of comprehensive income lists the entity’s expenses and retained income. The difference between these two amounts is the net cost of, or net contribution by, services, disclosed as a new line item.
In the second section, agencies subject to the *FMA Act* include their departmental appropriation revenue, whereas *CAC Act* bodies need to disclose grant revenue from Government, being amounts that were appropriated to their portfolio agency for payment to the *CAC Act* body.

The NCOS format has no impact on the surplus/(deficit) position of an entity, it simply orders items to enable comparison between Government funds appropriated or received and the net cost of service delivery.

As for-profit entities are principally focused on generating profit and receive minimal or no Government funding, they are not required to prepare the statement of comprehensive income on a NCOS basis.
19  **Income – General Information (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.

**GUIDANCE**

19.71G  Income is defined in Division 4 and includes both revenue and gains. Revenue arises in the course of the ordinary activities of an entity, and includes sales of goods and services, fees, interest, dividends, royalties and rent, whereas gains represent other items that meet the definition of income and do not arise in the course of the ordinary activities of an entity, such as gains on the sale of assets.

19.72G  Appropriation revenue is recognised and disclosed in accordance with Part I.

**Grants**

19.73G  **AASB 120** provides a number of options in accounting for government grants. **Section 19.1** removes the alternative options for Australian Government entities.

19.74G  **AASB 2008-5** amended AASB 120 to require the benefit of a government loan at a below-market rate of interest to be treated as a government grant.
20 Expenses – General Information

**GUIDANCE**

20.71G Expenses are defined in Division 4.

20.72G Subject to section 20.73G, 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.

20.73G 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.
21  Borrowing Costs

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

GUIDANCE

21.71G  Under AASB 123 para. Aus8.1, a not-for-profit public sector entity may elect to recognise borrowing costs as an expense in the period in which they are incurred regardless of how the borrowing are applied.

21.72G  Under section 21.1, the alternative treatment allowed under AASB 123 is not to be adopted.
22 Operating Leases

22.1 Entities must recognise minimum operating lease payments as expenses on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user’s benefit.

22.2 Contingent operating lease rentals are recognised as expenses in the period in which they are incurred.

**POLICY**

22.51P Entities (in their capacity as lessee) must disclose expenses for operating leases defined in AASB 117 (see also Interpretation 4).

**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 disclosures by the lessee, refer to Accounting Guidance Note No. 2007/4 Accounting for Operating Lease Expenses.

**Definitions**

22.73G Minimum lease payments exclude contingent rent. Contingent rent includes consumer price index (CPI) escalation clauses and market rent reviews (but not fixed rental increases).

**Lease Incentives**

22.74G In relation to lease incentives, refer to Accounting Guidance Note No. 2007/3 Accounting for Lease Incentives.

**Identifying Leases**

22.75G 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/Executive Remuneration**

23.1  Not-for-profit entities must disclose directors’ and executive remuneration in compliance with this division. For-profit entities are exempt from making these disclosures but they must make disclosures required by AASB 124.

23.2  Division 23 applies to the following groups of individuals:
(a)  senior executives of an agency;
(b)  senior executives and directors of an authority; and
(c)  senior executives and directors of the economic entity, where an agency or authority is the parent in the economic entity.

23.3A  The following must be disclosed in the notes to the financial statements in respect of senior executives:
(a)  the number of individuals included in section 23.2 excluding those only included because of an acting arrangement and those who have not been employed by the entity for the full financial year, whose total remuneration for the financial year is less than $145,000;
(b)  the number of individuals included in section 23.2 whose total remuneration for the financial year falls within each successive $15,000 band, commencing at $145,000; and
(c)  the aggregate amount of separation and redundancy expenses for those individuals included in the disclosures required by (a) and (b);
(d)  For those individuals included in the disclosures required by (a) and (b) – the total remuneration expense and the total remuneration expense split into major categories of employee benefits;
(e)  For all substantive senior executives (that is, excluding those only included because of an acting arrangement) of an entity as at 30 June, for the total remuneration package band of $0 to $145,000 and each successive band of $15,000 of total remuneration package:
(i)  the number of individuals;
(ii)  the average annualised base salary (including annual leave) of the individuals in that band applicable at 30 June;
(iii)  average annualised total remuneration package of the individuals in that band applicable at 30 June; and
(iv)  as a footnote to the disclosures; information about the methods of calculating variable packages elements excluded from the amount in (iii)

23.3B  The following must be disclosed in the notes to the financial statements in respect of directors:
(a)  the number of individuals listed in section 23.2 whose total remuneration for the financial year falls within each successive $15,000 band, commencing at the band incorporating the lowest paid director; and
(b)  the total remuneration of directors for the financial year.
23.3C Remuneration of senior executives and directors is to be disclosed separately.

23.4 The entity that is the recipient of a senior executive or director in a secondment arrangement must disclose the amount of remuneration of the senior executive or director. This is regardless of whether the remuneration is paid by the recipient entity, or otherwise received as resources free of charge by the recipient entity. Entities benefiting from a resources free of charge arrangement must make a statement to the effect that amounts disclosed are included as receipt of goods or services from another Government entity.

23.5 An entity that is party to a fee for service contract with a second Australian Government entity and is not the direct employer of the senior executive or director subject to the contract, is exempt from making remuneration disclosures under Division 23 in respect of those arrangements.

23.6 The remuneration of star ranked military officers must be disclosed, as required by section 23.3A, including any short period of secondment or deployment domestically or overseas.
POLICY

Definitions

23.51P Senior Executive means:

(a) chief executive officers and equivalents, Senior Executive Service (SES) and equivalent officers classified in Groups 9-11 of the Public Service Classification Rules 2000 and star ranked military officers;

(b) a person falling within the definition of a senior manager of an authority under section 5 of the CAC Act. That is, a person (other than a director of the authority, a Minister, or an APS employee engaged as an employee for the purposes of an Agency other than the authority) who:

(i) makes, or participates in making, decisions that affect the whole, or a substantial part, of the operations of the authority; or

(ii) has the capacity to affect significantly the authority’s financial standing; and

(c) senior managers 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.

Star ranked military officer means for:

(a) Navy personnel, Commodore and above;

(b) Army personnel, Brigadier and above;

(c) 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.

23.52P For the purposes of this Division, remuneration means amounts received or due and receivable, directly or indirectly, from the entity or any entity in connection with the management of the affairs of the entity or its subsidiaries.

Remuneration does not include:

(a) amounts paid to a senior executive employed by an entity or its subsidiary where the person worked during the financial year wholly or mainly outside Australia during the time the person was so employed; or

(b) amounts in payment or reimbursement of out-of-pocket expenses incurred for the benefit of the entity or any of its subsidiaries.

23.53P Short periods of employment as referred to in section 23.6 include periods of less than six months continuous duration.
**Measurement**

23.54P Remuneration must be measured in accordance with AASB 119 except where specifically stated otherwise in this schedule.

**Disclosure**

23.55P When preparing the consolidated financial statements for an economic entity, the parent entity is required to disclose the total amount of remuneration of all senior executives and directors in the parent entity and the economic entity.

23.56P For the period of directorship of an individual, the only remuneration that may be disclosed in addition to director’s remuneration is remuneration received where a director of an authority is also a senior executive. In that case, they must be disclosed as a director only, but including all remuneration from their capacity as a director and as a senior executive during that period.

23.57P Where individuals are promoted to the position of senior executive of an entity within a financial year, all other remuneration paid prior to their promotion to senior executive must not be incorporated into remuneration calculations for the purpose of executive remuneration disclosure.

23.58P Notwithstanding subregulation 4(1)(a) of the FMA Regulations and item 139 of Schedule 1 of the FMA Regulations, the remuneration of star ranked military officers posted to the Defence Materiel Organisation (DMO) are reported by the Department of Defence (Defence) and not the DMO. Additional information should be provided where appropriate by Defence and the DMO in a manner consistent with section 23.80G.

**GUIDANCE**

23.71G When determining whether a senior executive’s remuneration falls within a particular salary band, for sections 23.3A(a), (b), and (d) it is actual remuneration which should be used to determine the relevant band, and for section 23.3(e) it is the annualised remuneration package that is relevant.

23.72G Bands within which no individual’s remuneration or remuneration package falls can be excluded from the disclosure.

23.73G A secondment is an arrangement entered into where the employee remains an employee of the home APS agency or an outside employer but is lent for a period, by:

(a) an APS agency to another APS agency;
(b) an outside employer to an APS agency; or
(c) an APS agency to an outside employer.

23.74G The essence of such an arrangement is that:

(a) in the case of an APS employee, they formally remain an employee of that agency but are assigned duties by the home agency head in another APS agency or with an outside employer (host employer);
(b) if the employee is a non-APS employee, they are directed by their home employer to perform duties in an APS agency while continuing to be an employee of the home (non-APS) employer.

23.75G Typically the home employer remains responsible for the payment of salary and nearly all terms and conditions of employment, although the host employer may, for practical reasons, pay the employee or reimburse the home entity for the costs of the employee.

23.76G Fee for service arrangements occur where an executive or director employed by one entity is sub-contracted out under a formal contract arrangement (for example, a memorandum of understanding) to a second entity and the charges for the services under the contract are calculated using a fixed rate (e.g. hourly/daily/monthly).

23.77G Remuneration as defined in section 23.52P is broadly consistent with the definition of employee benefit contained in AASB 119 para. 7. The difference is the exclusion of payments for overseas service set out in section 23.52P. See Accounting Guidance Note No. 2007/2 Identification of Executive Remuneration, for further guidance on what is included in remuneration.

23.78G Remuneration of star ranked military officers includes any short period of secondment or deployment overseas (see section 23.6) but not amounts paid where the person worked wholly or mainly outside Australia during the period of employment in the financial year (see section 23.52P).

23.79G Where it is material, the recipient entity in a fee for service contract discussed in section 23.5 should make appropriate disclosure to indicate the resources used. This is likely to be less than the full disclosure required under this division.

23.80G Leave paid out on separation is not included in the remuneration note, either in total remuneration as required by section 23.3A(b), or aggregate separation and redundancy expense as required by section 23.3A(c).

23.81G The major categories of employee benefits referred to in section 23.3A(d) are to be determined by individual entities. Examples of these categories include short-term employee benefits such as salary (including annual leave taken), changes in annual leave provisions and performance bonus. Post-employment benefits and any long-term benefits could also be included.

23.82G Total separation and redundancy expense for the period as required by section 23.3A(e) should be included as a footnote to the disclosures required by section 23.3A(d).

23.83G Part-time senior executives are to be included in the disclosures required by section 23.3A(e).

23.84G Senior executives acting at a higher SES level at 30 June should be disclosed at the higher level remuneration package for the disclosures required by section 23.3A(e).

23.85G Total remuneration package referred to in section 23.3A(e) includes, but is not limited to:
(a) agreed base salary for the period;
(b) maximum possible performance bonus available under the employee’s agreement;
(c) superannuation; and
(d) other benefits, such as motor vehicle allowance.
24 Remuneration of Auditors

24.1 The financial statements of an entity must include a note giving particulars of the amounts paid or payable to the auditor of the financial statements, for:
(a) auditing the financial statements for the reporting period; and
(b) any other audit services provided during the reporting period.

24.2 The fair value of any of the services provided free of charge by auditors must be shown in the notes to the financial statements. For the purpose of this Division, performance audits are not taken to be services provided to an entity.

24.3 Entities must disclose the extent to which auditor’s remuneration is paid to an auditor other than the Auditor-General.

POLICY

24.51P The amount disclosed under section 24.2 of this schedule must be recorded as resources received free of charge, with a corresponding expense.
25 **Operating Expenditure**

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

**GUIDANCE**

*Collection Institutions*

25.71G Collection Institution is defined in Division 4.

25.72G Only direct costs are to be included as operational expenditure for heritage and cultural assets. Direct costs are expenses identified as having been specifically incurred by or for the heritage and cultural asset, including upkeep/maintenance. Indirect costs such as corporate administration costs or costs that have been capitalised are not included.

25.73G 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, for example, outsourced repairs to artwork or insurance costs;
(b) direct labour on-costs, for example, the salaries and associated costs of staff researching and restoring items;
(c) lease of storage facilities;
(d) associated utility costs (electricity, water, gas);
(e) cataloguing costs;
(f) containers, and packaging and transportation;
(g) cleaning of collections and storage facilities; and
(h) substitution costs (preparation of copies/surrogates of art work for public display).

25.74G Depreciation is not operating expenditure for the purposes of section 25.1.

25.75G Where a proportion of a staff member’s time is utilised for activities exclusively related to a heritage and cultural asset, the cost of the staff member is to 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 Part E.

30  Financial Assets – General Information

GUIDANCE

30.71G  Appropriations receivable are not financial instruments under AASB 139, as they are not contractually based, and thus are not discounted in accordance with that Standard. They are measured at their nominal amounts.
31 **Receivables for Statutory Charges**

31.1 Receivables for statutory charges are to 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 statutory charges receivable, 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 paragraphs 18(3)(a)-(c) of the CAC Act.

32.2 Details must include the statutory basis for holding additional investments outside those allowed under paragraphs 18(3)(a)-(c) of the CAC Act, including whether an approval has been received by the authority under paragraph 18(3)(d) of the CAC Act.

GUIDANCE

32.71G Under section 18 of the CAC Act, 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 paragraph 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 paragraphs 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 paragraph 18(3)(d) of the CAC Act. For information about investments, refer to Finance Circular 2005/05: Investment of Surplus Money.
33 **Valuation of Non-Financial Assets**

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.

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 The cost model must be applied to specialist military equipment.

33.5 Each non-financial asset listed in section 33.2 or recognised in compliance with section 33.3(b), other than investment property, 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.

33.6 Investment property must be revalued annually in compliance with AASB 140.

33.7 For-profit entities and entities classified as universities may elect not to apply the requirements of sections 33.2, 33.3, 33.5 and 33.6.

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**POLICY**

**Valuation and Asset Recognition**

33.51P For the purpose of section 33.4, specialist military equipment excludes fuel, explosives ordnance, general stores and consumables.

**Collection of Information for Reporting**

33.52P Where an entity elects to apply section 33.7 for their statutory reporting, that entity must also collect not-for-profit information to allow for consolidation into the CFS.
GUIDANCE

Asset Recognition, Valuation and Depreciation

33.71G Unless otherwise stated in the AAS, property, plant and equipment, intangibles and assets under construction are not depreciated until they are held ready for use. For example, investment property where there is no depreciation of the assets under the fair value model.

33.72G Either the gross or net approach to disclosing revalued assets may be used as permitted by AASB 116 para. 35.

33.73G Revaluations should be typically undertaken by an independent professionally qualified expert, such as qualified valuers or quantity surveyors. However, in-house expertise may be used where controls are in place to ensure the integrity and correctness of valuations and the probability of over or under valuation is low. For example, one key control may be the approval of the in-house methodology used, by an independent professionally qualified expert.

33.74G An annual assessment does not necessarily have to be undertaken by an independent expert. Revaluations using an appropriate index may be performed in years where no independent valuation is undertaken. However, entities need to ensure that the carrying amount of assets is not materially different from fair value as at balance date (see AASB 116 para. 34).

33.75G Assets held for sale as defined in AASB 5 are valued differently because their future economic benefits are represented by the cash expected from disposal, rather than service potential from continued use. See Accounting Guidance Note No. 2007/5 Accounting for Non-current Assets Held For Sale for additional guidance.

33.76G Internally developed software is separable as defined by AASB 138 and hence can be recognised as an asset when it meets the criteria under AASB 138 para. 21 and AASB 138 para. 57. For more guidance on accounting for internally developed software refer to Accounting Guidance Note No. 2007/1 Accounting for Internally Developed Software.

33.77G A class of assets is defined by AASB 116 as a grouping of assets of a similar nature and use in an entity’s operations. If an asset, that is of a type listed in section 33.2, is to be revalued, every other asset in the class in which that asset falls must also be revalued. Types of assets referred to in section 33.2 are not automatically synonymous with classes.

33.78G In relation to expenditure on property, plant and equipment after initial recognition, refer to Accounting Guidance Note No. 2007/7 Accounting for Subsequent Expenditure on Property, Plant and Equipment.

33.79G Land under roads is to be accounted for in accordance with FinanceBrief 35.

33.80G Regarding section 33.2, entities must measure those assets at fair value (but only) in accordance with the relevant standards. For example, an entity that, in the course of its ordinary activities, routinely sells items of property, plant
and equipment that it has held for rental to others shall account for such assets as per AASB 116 para. 68A.
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.

**POLICY**

34.51P  
AASB 136 allows impairment testing of cash generating units where it is not possible to estimate the recoverable amount of the individual assets. 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.

**GUIDANCE**

Generation of Cash Inflows

34.71G Agency receipts retained under section 31 of the FMA Act are included for the purpose of determining whether entities are cash-generating units under AASB 136.

Impairment Process

34.72G Entities must assess assets for indications of impairment at least annually. Where there is indication that an asset may be impaired, the entity must test the individual asset for impairment. In testing an asset for impairment, an entity must assess the recoverable amount of the asset in accordance with AASB 136.

34.73G 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.

34.74G 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.

34.75G AASB 136 para. 10 requires the following items to be tested for impairment annually regardless of any indications of impairment:
   (a) intangibles with indefinite useful lives;
   (b) intangible assets not yet available for use (intangible assets under construction); and
   (c) goodwill acquired in business combinations.

34.76G 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.

**Indicators of Impairment**

34.77G  Impairment indicators should be developed that are appropriate to the entity’s operations and consider the materiality of the asset/asset class and the internal and external minimum indicators of impairment listed in AASB 136 para. 12.

34.78G  Where an asset is assessed for impairment, some of the minimum impairment indicators specified in AASB 136 will be more relevant than others. For example, an entity may consider that physical damage or obsolescence are the most significant factors relevant to assessing whether or not a $5,000 computer is impaired. However, additional factors may also be taken into account when determining if an impairment assessment should be undertaken. Consideration of indicators of impairment should be documented.
35 **Analysis of Non-Financial Assets**

35.1 Notes to the financial statements must include the following tables in Annexure A, where applicable:

- **Table A:** Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment;
- **Table B:** Reconciliation of the Opening and Closing Balances of Investment Property; and
- **Table C:** Reconciliation of the Opening and Closing Balances of Intangibles.

Entities may combine tables 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.
37 Heritage and Cultural Assets

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.

37.2 Only assets that are primarily used for purposes that relate to their cultural, environmental or historical significance are to be accounted for as heritage and cultural assets.

37.3 When an entity controls or administers heritage and cultural items that are not recognised as assets, the notes to the financial statements must disclose:
   (a) a description of those items;
   (b) the reason for non-recognition of those items;
   (c) the amount expended to acquire such items during the financial year; and
   (d) the amount of proceeds from the disposal of such items during the financial year.

37.4 For the purposes of this Division, the term ‘government department’ in the Australian Implementation Guidance to AASB 116 means an entity as defined in these Orders.

**POLICY**

37.51P Entities are required to develop and implement curatorial and preservation policies so that where possible, heritage and cultural assets are not depreciated.

37.52P Heritage and cultural items do not include structures constructed to assist with the display, transport or storage of the asset. For example, backdrops, protective display cases, hanging apparatus, storage racks or protective cases are not captured by the definition of a heritage or cultural asset unless the item has such value in its own right or is an integral part of the item.

**GUIDANCE**

*Asset Recognition Criteria*

37.71G 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.

37.72G Where a heritage and cultural asset is irreplaceable and has no market price, it is unlikely that its value could be reliably measured.

*Heritage and Cultural Items*

37.73G The AAS contemplate indefinite useful lives for some assets and non-
depreciation in circumstances where assets have indefinite useful lives.

37.74G Heritage and cultural assets are assets used for the community’s benefit, and represent, in part, Australia’s cultural and historic background. Generally such assets attract funding from the budget for preservation, curation and restoration activity, ensuring these assets remain part of Australia’s heritage for as long as possible.

37.75G Heritage and cultural assets are buildings, other structures, works of art, artefacts, collectables, historical treasures, or similar items, which are used for their cultural, environmental or historical significance. Heritage and cultural assets will generally be:
(a) used for public exhibition, education or research; and/or
(b) protected, cared for and preserved.

37.76G 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**

37.77G One example of an item subject to section 37.1 is buildings of historical interest that are used primarily to provide office accommodation. These should not be accounted for as heritage and cultural assets.

**Integral parts of Heritage and Cultural items**

37.78G One example of an asset being an integral part of a heritage and cultural asset as specified in section 37.52P might be the original frame surrounding a painting that is classified as a heritage and cultural asset.
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 in trust;

- (b) in relation to monetary assets held in trust, an entity is required to 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;
  - (iv) total amount held at the end of the reporting period;

- (c) in relation to non-monetary assets held in trust, an entity is required to 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;
  - (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. However, an entity must provide additional disclosure stating why estimated values have not been used.

38.4 Intelligence and security agencies, defence agencies and prescribed law enforcement agencies are exempt from the disclosure requirements under Division 38.

**POLICY**

**Trust Disclosures**

38.51P **Section 38.2** 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. Where a valuation would be impractical or uneconomical to perform, a disclosure to this effect may be made in place of a valuation under section 38.3.

38.54P Intelligence and security agencies, defence agencies and prescribed law enforcement agencies, while exempt from the disclosure requirements under Division 38 due to the nature of their operations, 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 Account

38.56P Entities should also 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 administered revenue and are not to be treated as assets held in trust.

GUIDANCE

Trust Money

38.71G Trust Money, or more precisely, 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 Unidentified receipts, including money found on Australian Government premises, should be treated as administered revenue by agencies and deposited to the OPA. Agencies will need to keep appropriate records of such unidentified receipts. Where a receipt is subsequently identified and reimbursement to the original payer is required, agencies should seek a refund from the OPA (section 28 of the FMA Act). Agencies should contact the Forex, Special Accounts and Net Appropriations Section, Financial Framework Policy Branch within Finance for additional information and guidance.

Outsiders

38.73G Section 45.90G 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 in addition to the equity method. Australian Government entities must apply the equity method to facilitate whole-of-Government consolidation.
40 Liabilities – General Information

GUIDANCE

Liabilities

40.71G Entities must recognise financial liabilities in compliance with Division 45 and other requirements of this schedule.

40.72G Liabilities are defined in Division 4. A liability would be 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. 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.

Similarly, an employee benefit liability, such as for unpaid salary or superannuation, would be recognised at the earlier of:

(c) when service is provided by the employee; and

(d) the time of obligation specified in the employment agreement.

Obligations

40.73G 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/ies that will receive goods and services in satisfaction of the obligation.

40.74G 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 would exist 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.

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 a 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.

41.4 Entities must account for a return of capital through non-reciprocal payments in accordance with section 101.15 and recognise a reduction in equity in the financial statements in compliance with section 101.16. These are not dividends.

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.
# 42 Provisions

## GUIDANCE

### Provisions

42.71G Provisions are defined in Division 4. Provisions are not commitments because the entity is under an obligation to sacrifice future economic benefits. An example is where an entity is required to restore a site or decommission an asset in the future. Whether this requirement arises from either a legal or constructive obligation, but the timing of the event or amount of the obligation is uncertain, a provision is recorded.

### Decommissioning, Restoration and Similar Provisions (‘Make Good’)

42.72G 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’).

### Onerous Contracts

42.73G AASB 137 paras. 66-69 outline that if an entity has an onerous contract as defined in AASB 137, the present obligation under the contract must be recognised and measured as a provision.
43  **Employee Benefits**

**Employee Benefits Disclosures**

43.1 Leave liabilities are to be discounted on the basis of when the benefits are due to be settled.

**Long Service Leave**

43.2 Entities with less than or equal to 1,000 full-time equivalent employees (FTE) may continue to use the shorthand method when calculating their long-service leave liability.

43.3 Entities with more than 1,000 FTE are to undertake their own assessments to estimate the liability for long service leave. The method of doing this would be one of the following:

(a) If an entity’s employee profile is demonstrably not materially different from the Australian Government’s standard profile, entities may use the shorthand method;

(b) Undertake an actuarial assessment; or

(c) Use a detailed calculation basis (e.g. employee by employee).

**POLICY**

**Annual and Long Service Leave Additional Costs**

43.51P An allowance must be made for additional costs expected to be required to settle leave provisions, for example when leave is taken by an employee, superannuation costs are incurred. The recommended approach is for entities to use the following formula:

Additional costs = [total estimated liability] * (X*Y)

Where:

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

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

Entities should consider that 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.

Note that when an entity uses the shorthand method to calculate its total estimated liability for long service leave, the number calculated under steps 1 to 4 below does not include these additional costs. These additional costs will need to be added to arrive at the final liability.

**The Shorthand Method**

43.52P Entities applying the Australian Government shorthand method under
section 43.2 or 43.3 must apply the method as outlined in sections 43.53P to 43.58P.

**Step 1: Obtain nominal, accrued long service leave information**

43.53P Obtain details of each employee’s balance of accrued long service leave entitlement. This is the amount accrued during service (including eligible prior service for long service leave with previous employers) less the amount taken (including amounts redeemed for payment).

43.54P For example: a full-time employee accrues 9 calendar days per year of service. Therefore, if an employee works for half a financial year they will have accrued 4.5 days and an employee who has worked for 11 years and taken 10 days of long service leave will have accrued 89 calendar days.

43.55P Each employee’s long service leave entitlement must be expressed as a dollar amount (including eligible prior service). As each employee’s long service leave entitlement is expressed in calendar days an adjustment is required to remove the effect of weekends as applicable. Where the human resources management information system (HRMIS) does not automatically perform this adjustment, it will need to be made manually.

**Step 2: Calculate the probability-weighted accrued long service leave**

43.56P Using the information obtained from step 1, apply the formula as follows to calculate the nominal probability-weighted accrued long service leave.

\[ A = B \times C \]

Where:

\( A \) = nominal probability-weighted long service leave
\( B \) = nominal, unused long service leave balance (in dollars) from Step 1
\( C \) = probability weight from the Australian Government sector probability profile in the table below:

<table>
<thead>
<tr>
<th>Completed years of service</th>
<th>Probability Weights</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0.55</td>
</tr>
<tr>
<td>1</td>
<td>0.65</td>
</tr>
<tr>
<td>2</td>
<td>0.70</td>
</tr>
<tr>
<td>3</td>
<td>0.75</td>
</tr>
<tr>
<td>4</td>
<td>0.80</td>
</tr>
<tr>
<td>5</td>
<td>0.85</td>
</tr>
<tr>
<td>6</td>
<td>0.90</td>
</tr>
<tr>
<td>7</td>
<td>0.90</td>
</tr>
<tr>
<td>8</td>
<td>0.95</td>
</tr>
<tr>
<td>9</td>
<td>1.00</td>
</tr>
<tr>
<td>10+</td>
<td>1.00</td>
</tr>
</tbody>
</table>
**Step 3: Calculate the present value of the (probability-weighted) long service leave liability**

43.57P For each employee, multiply the probability-weighted amount from Step 2 by the factor determined by reference to the following table:

<table>
<thead>
<tr>
<th>Bond (Discount) Rate</th>
<th>4.00%</th>
<th>4.25%</th>
<th>4.50%</th>
<th>4.75%</th>
<th>5.00%</th>
<th>5.25%</th>
<th>5.50%</th>
<th>5.75%</th>
<th>6.00%</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGR* 2.00%</td>
<td>85.30%</td>
<td>83.80%</td>
<td>82.30%</td>
<td>80.80%</td>
<td>79.40%</td>
<td>78.00%</td>
<td>76.70%</td>
<td>75.40%</td>
<td>74.20%</td>
</tr>
<tr>
<td>2.50%</td>
<td>88.70%</td>
<td>87.00%</td>
<td>85.40%</td>
<td>83.90%</td>
<td>82.30%</td>
<td>80.90%</td>
<td>79.50%</td>
<td>78.10%</td>
<td>76.80%</td>
</tr>
<tr>
<td>3.00%</td>
<td>92.20%</td>
<td>90.50%</td>
<td>88.70%</td>
<td>87.10%</td>
<td>85.50%</td>
<td>83.90%</td>
<td>82.40%</td>
<td>81.00%</td>
<td>79.60%</td>
</tr>
<tr>
<td>3.50%</td>
<td>96.00%</td>
<td>94.10%</td>
<td>92.30%</td>
<td>90.50%</td>
<td>88.80%</td>
<td>87.10%</td>
<td>85.50%</td>
<td>84.00%</td>
<td>82.50%</td>
</tr>
<tr>
<td>4.00%</td>
<td>100.00%</td>
<td>98.00%</td>
<td>96.00%</td>
<td>94.10%</td>
<td>92.30%</td>
<td>90.50%</td>
<td>88.80%</td>
<td>87.20%</td>
<td>85.60%</td>
</tr>
<tr>
<td>4.50%</td>
<td>104.30%</td>
<td>102.20%</td>
<td>100.00%</td>
<td>98.00%</td>
<td>96.10%</td>
<td>94.20%</td>
<td>92.40%</td>
<td>90.60%</td>
<td>88.90%</td>
</tr>
<tr>
<td>5.00%</td>
<td>108.90%</td>
<td>106.60%</td>
<td>104.30%</td>
<td>102.10%</td>
<td>100.00%</td>
<td>98.00%</td>
<td>96.10%</td>
<td>94.20%</td>
<td>92.40%</td>
</tr>
</tbody>
</table>

*SGR = Salary Growth Rate

The table above incorporates the bond rate (or discount rate under AASB 119) determined with reference to the ten year Treasury Bond rate as at reporting date (30 June).

The salary growth rate (SGR) is the entity’s estimate of the average annual salary growth rate expected over ten years.

Where bond or salary growth rates are different from the table:

(a) entities must round the rate to the nearest amount (see section 43.76G); or

(b) extrapolate between rates on the table.

Where the discount rate or salary growth rate is not presented in the above table, the Accounting Policy Branch of Finance must be consulted and actuarial advice obtained by the entity.

**Step 4: Calculate the estimated long service leave liability for the entity**

43.58P The total estimated liability for the entity is the sum of the liabilities for each employee. See section 43.51P for the calculation of additional costs.

**On-Costs**

43.59P On-costs such as workers’ compensation insurance and payroll tax, must be recognised as liabilities and expenses when the employee benefits are recognised as expenses. These must not be treated as employee benefit liabilities.
GUIDANCE

Changes to Leave Calculations for 2009-10

43.71G For reporting periods beginning on or after 1 January 2009, AASB 119 defines short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Classification of Employee Liabilities

43.72G Employee benefits are required to be measured and disclosed in accordance with AASB 119.

Sick Leave

43.73G 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.

Annual Leave and Long Service Leave Additional Costs

43.74G Some additional costs only apply if the annual leave or long service leave is taken in-service. For those costs, the probability that the leave will be taken in-service rather than paid out is important to determine the 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 long service leave in-service, additional costs of 9% (60% multiplied by 15%) would be applied to the provision.

The Shorthand Method: Australian Government Probability Profile

43.75G The Australian Government’s shorthand method, as outlined in sections 43.52P to 43.58P, was developed by the Australian Government Actuary in the mid-1990s and last reviewed in July 2006.

The Shorthand Method: Illustration of paragraph 43.57P(a)

43.76G If the 10 year bond rate at 30 June was 4.80% (round to the nearest available discount rate in table 43.57P, in this case 4.75%) and the expected long term SGR for the entity was determined as 3.00%, the appropriate factor to use would be 87.10%.

Discount Rate

43.77G In relation to AASB 119 para. 78, for-profit Australian Government entities should use the Government bond rate to discount employee benefits.
44 **Measurement and Disclosure of Post Employment Plans**

44.1 Entities as agents collecting contributions from employees for the Public Sector Superannuation Scheme (PSS), Commonwealth Superannuation Scheme (CSS) and military superannuation schemes (including the Military Superannuation and Benefits Scheme (MSBS)) must account for, and make the required disclosures in accordance with AASB 119 as if they were contributing to defined contribution plans. In addition, the following must be disclosed:

(a) that the entity is accounting for the scheme as a defined contribution plan;

(b) that at the whole-of-Government level the scheme is a defined benefit plan and is accounted for as such; and

(c) a reference to the financial statements in which the defined benefit disclosures have been or will be made.

44.2 Entities participating in the PSS and CSS Schemes must reference the administered disclosures made in Finance’s financial statements for these schemes. The Finance financial statements do not need to be published for these references to be made.

44.3 PFCs and GBEs can 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 are to apply the direct to equity option.

44.4 Plans where the actuarial risk (shortfall risk) falls on the entity must be accounted for as defined benefit plans.

44.5 The market yield on 10-year Government bonds must be referenced when determining a discount rate for discounting in compliance with AASB 119.

**GUIDANCE**

Superannuation Scheme Disclosures

44.71G In accordance with AASB 119, entities with defined benefit schemes must conduct a periodic review of the non-financial assumptions (e.g. mortality rates) and an annual review of the financial assumptions (e.g. wage growth and Consumer Price Index (CPI)).

44.72G The PSS Accumulation Plan is considered a defined contribution plan from the point of view of both the entity and the whole-of-Government.

44.73G The requirement to cross reference the annual financial statements of Finance (PSS and CSS) and the Department of Defence (Military Schemes) provides additional information to the users of entities’ financial statements.

44.74G Section 90.1 provides the rationale for the treatment in section 44.1. Entities participating in these schemes do not have any obligation to fund deficits.
and therefore account for the schemes as defined contribution plans.
45 **Financial Instruments**

45.1 Where an active market exists for a financial asset entities must classify the instrument as either at fair value through profit or loss, or available for sale, unless otherwise required under AASB 139.

45.2 Where an active market exists for a financial liability, entities must classify the instrument as at fair value through profit or loss, unless otherwise required under AASB 139.

45.3 For regular way purchase or sale, trade date accounting must be applied.

45.4 Entities must recognise all impairment losses on financial instruments under AASB 139 in an allowance account where permitted, rather than adjusting these losses directly against the carrying amounts of the related assets. A separate account must be maintained for each class of financial asset.

45.5 Where AASB 139 allows entities to choose between:
(a) capitalising gains and losses on hedges into the carrying amount of the underlying assets; and
(b) progressively transferring such gains and losses from equity to income or expense,
entities must adopt (a) in all cases.

45.6 Where an entity has held derivative financial instruments that are not part of a qualifying hedging arrangement at any time during the period, it shall disclose:
(a) 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.

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

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**POLICY**

*Capitalisation of Gains and Losses on Hedges*

45.51P Section 45.6 does not provide any authority to use derivative financial instruments. Section 39 of the FMA Act 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.

*Impairment of Financial Instruments*

45.52P Entities must assess, at the end of each reporting period, whether there is evidence that a financial asset is impaired. If so, an impairment loss may need to be recognised. AASB 139 allows a choice of directly deducting
impairment losses from the carrying amount of the asset or creating a separate allowance account (AASB 139 para. 63).

45.53P For consistency across the Australian Government, and to facilitate Government Financial Statistics (GFS) data collection, all impairment losses, where applicable, must be recorded against an allowance account styled impairment losses. This is effectively a contra account to the financial instrument (asset). The other side of the entry is to the impairment loss expense account. A separate allowance account must be maintained for each class of financial asset.

### Fair Value Through Profit or Loss

45.54P **Sections 45.1 and 45.2** require financial assets and liabilities to be classified as at fair value through profit or loss (FVPL) or in the case of financial assets only, available for sale, if there is an active market and it is permitted under AASB 139.

45.55P The definition of FVPL in AASB 139 para. 9 allows a financial asset or liability to be designated as at FVPL if it results in more relevant information in the specific circumstances outlined in the standard.

45.56P If these circumstances apply, and it results in more relevant information, then such a classification is to be made.

### Market Risk Sensitivity Analysis

45.57P Where sensitivity analysis is required to be completed, entities must use the standard rates contained in FinanceBrief 31 AASB 7 Financial Instruments: Disclosures Standardisation of market risk sensitivity analysis when disclosing market risk. Approval from Finance is required for entities to use different rates in their sensitivity analysis.

### Concessional Loans

45.58P For guidance on accounting for concessional loans, refer to Accounting Guidance Note No. 2010/2 Accounting for Concessional Loans.
GUIDANCE

Applicable Accounting Standard

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 also depends on the intention of the entity and past actions in some cases.

<table>
<thead>
<tr>
<th>Category</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial asset or financial liability at</td>
<td>• Speculative share portfolio</td>
</tr>
<tr>
<td>fair value through profit and loss (FVPL)</td>
<td>• Forward exchange contracts</td>
</tr>
<tr>
<td></td>
<td>• Interest rate swap</td>
</tr>
<tr>
<td></td>
<td>• Call options</td>
</tr>
<tr>
<td></td>
<td>• HECS Help Loans (because of embedded derivatives)</td>
</tr>
<tr>
<td>Held-to-maturity</td>
<td>• Government bonds</td>
</tr>
<tr>
<td></td>
<td>• Corporate bonds</td>
</tr>
<tr>
<td></td>
<td>• Fixed term debentures</td>
</tr>
<tr>
<td></td>
<td>Note that where there is an active market, these items must be treated as FVPL or available for sale unless unable to do so under AASB 139.</td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>• Trade receivables (debtors)</td>
</tr>
<tr>
<td></td>
<td>• Cash at bank</td>
</tr>
<tr>
<td></td>
<td>• Loans receivable</td>
</tr>
<tr>
<td></td>
<td>• Advances made</td>
</tr>
<tr>
<td>Available for sale</td>
<td>• Shares or equity held in other entities (not held for trading or accounted for as subsidiaries, associates or joint ventures)</td>
</tr>
<tr>
<td></td>
<td>• Items not classified within another category</td>
</tr>
<tr>
<td>Financial liabilities at amortised cost</td>
<td>• Trade payables (creditors)</td>
</tr>
<tr>
<td></td>
<td>• Loans payable</td>
</tr>
</tbody>
</table>

Definitions and Measurement

45.72G Common financial instruments are cash, receivables, supplier payables and loans. Entities should be aware that 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).
Note 1: 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.

45.73G Disclosures are made under AASB 7 by class of financial instrument. Classes of financial instruments are smaller units than categories. For example, the loans and receivables category of financial instruments would contain classes such as cash at bank and trade receivables.

45.74G AASB 139 requires that financial instruments must have the same measurement basis (e.g. fair value or amortised cost) within a class. Unrecognised financial instruments must not form part of the same class as those which are recognised. Entities should ensure they have appropriate classes to meet the disclosure requirements of AASB 7.

45.75G Financial guarantee contracts as defined in AASB 139 do not include performance guarantees.

45.76G For additional guidance on the disclosure of financial instruments, refer to Accounting Guidance Note No. 2008/1 AASB 7 Financial Instruments: Disclosures.

45.77G Where applicable, entities must use the standard rates contained in Finance Brief 31 AASB 7 Financial Instruments: Disclosures Standardisation of market risk sensitivity analysis when disclosing market risk.

Classification of Financial Instruments

45.78G Care must be taken in correctly classifying a financial instrument. Reclassification of financial instruments is subject to the rules set out in AASB 139, and is only possible in limited circumstances.

45.79G Entities may reclassify financial instruments as per AASB 139, subject to sections 45.1 and 45.2 of this schedule.

45.80G Classification (designation) of financial instruments for an entity has the effect of designating those instruments in the whole-of-Government consolidated financial statements.

45.81G Entities should establish a process to classify financial instruments as they are incurred. However, where a financial asset or liability is classified as a hedge item or designated at fair value through profit or loss, a more formal process to identify how the financial asset or liability meet the requirements of AASB 139 should be undertaken.

Derivatives and Hedging

45.82G Entities’ ability to enter into hedging or derivative arrangements is bound by their legislative framework and relevant Australian Government policies.

45.83G Hedging is the process of using one financial instrument (usually a derivative) to offset the risks inherent in another financial instrument, commitment, or anticipated transaction. AASB 139 imposes detailed rules for hedging including which items can be used for hedging, which items
can be hedged, and when hedge accounting treatments can be applied.

45.84G Information is required in accordance with section 45.6 to ensure that all use of derivatives is disclosed.

**Initial Measurement**

45.85G 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.

45.86G 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, being the prevailing rate in the market. 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 and then it increases the discount to comprehensive income using the effective interest rate.

**Subsequent Measurement**

45.87G Refer to AASB 139 paras. 45-47 for the subsequent measurement of financial assets and liabilities.

**Fair Value Measurement**

45.88G AASB 139 Appendix A para. AG69-AG82 provide guidance on the fair value measurement considerations for recognition and measurement of financial instruments.

**Fair Value Disclosure**

45.89G The AASB has recently released an amendment standard - AASB 2009-2 that amends AASB 7. The amended 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 amendment to 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 are to use AASB 7 for disclosure purposes and AASB 139 for recognition and measurement.

**Public Money Held by Outsiders**

45.90G All 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:

(a) an outsider authorised under subsection 45.90G(a) of the FMA Act to receive, hold or make payments of public money; or

(b) an outsider deemed to be an allocated official when they are performing a financial task for an agency.

Note 1: Public money paid by the Commonwealth to an outsider (including pre-payments), as payment for goods or services, ceases to be public money upon receipt by the outsider. For example, contract fees for the provision of payroll services are no longer public money when received by a payroll contractor.

Note 2: A financial task, as defined in FMA Regulation 3 means a task or procedure relating to the commitment, spending, management or control of public money; and does not include a task or procedure of that kind that is performed by an outsider, under an agreement or arrangement authorised under subsection 12 (1) of the FMA Act.

45.91G A common example of an arrangement under subsection 45.90G(a) is an arrangement with a property services provider. Tasks undertaken by a property services provider under an authorised section 12 agreement might include collecting public money in the form of rent and making payments of public money for building maintenance.

45.92G A common example of an arrangement under subsection 45.90G(b) is an arrangement with a salary sacrifice service provider. Tasks undertaken by a salary sacrifice service provider, as allocated officials, may include collecting and making payments of public money to provide benefits to employees in lieu of salary, on behalf of an employer.

45.93G Regardless of whether the outsider has been authorised under section 12 of the FMA Act or deemed to be an allocated official, any money held by the outsider, but not yet spent, is held on behalf of the Commonwealth and is public money. These amounts are not special public money, nor are they held in trust by the outsider. This money must be reported in the agency’s balance sheet as cash held by the agency. Agencies should ensure that all relevant reporting requirements are met in regards to an outsider handling public money. For example, agencies should ensure that the relevant appropriation is credited and debited at the appropriate time that the outsider is collecting and making payments of public money.

45.94G Agencies should contact the FMA Section in Financial Framework Policy Branch at finframework@finance.gov.au, for additional information regarding public money held by outsiders.
Part F  OTHER FACE STATEMENTS AND SCHEDULES

OVERVIEW

Part F outlines the reporting requirements for the statement of changes in equity, the cash flow statement, the schedule of administered items, the schedule of commitments and the schedule of contingencies schedules and the schedule of asset additions.

50  Statement of Changes in Equity

GUIDANCE

50.71G  A statement of changes in equity is not required for administered items, see section 85.4.
60 Cash Flow Statement

60.1 Entities must present a cash flow statement using the direct method in compliance with AASB 107.

60.2 Dividends paid are to be presented as a component of financing activities.

60.3 Administered cash flows to/from the OPA must be shown as adjustments to administered cash held by an agency, rather than as a cash flow related to operating or other activities.

GUIDANCE

Cash Flow

60.71G Section 60.3 formalises in this schedule, existing requirements in Annexure A. For FMA Act entities this includes appropriations drawn down from the OPA for payment to CAC Act bodies.
75 **Schedule of Administered Items**

75.1 Agencies must prepare a schedule of administered items in compliance with Division 85 of this schedule.
80 Contingencies

Schedule of Contingencies

80.1 Contingent liabilities and assets that are able to be reliably measured must be classified in accordance with the classes in the schedule of contingencies in Annexure A; where applicable, new classes can be added.

80.2 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.

80.3 Where there are no contingencies in either the current or the immediately preceding reporting periods, it is not necessary for an entity to include a schedule for such items. Instead, the fact that there are no such items should be disclosed in the notes to the financial statements.

80.4 Contingent liabilities and assets are not required to be disclosed where it is expected that disclosure would seriously prejudice the Commonwealth. In these rare cases entities should apply AASB 137 para. 92.

Contingent Liabilities

80.5 Entities must disclose departmental contingent liabilities that can be reliably measured (quantifiable) in the schedule of contingencies, in accordance with Annexure A, except where the possibility of any outflow of resources embodying economic benefits is remote. Equivalent disclosure for administered contingent liabilities must be included in the schedule of administered items.

80.6 Significant remote contingent liabilities excluded from the schedule of contingencies (as per section 80.5) must be disclosed in the notes to the accounts in accordance with Annexure A.

Contingent Assets

80.7 Entities must disclose departmental contingent assets that can be reliably measured (quantifiable) in the schedule of contingencies, in accordance with Annexure A where it is probable that an asset will be recognised in the future. Equivalent disclosure for quantifiable administered contingent assets must be included in the schedule of administered items by agencies.

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 Contingent liabilities are a specific category of fiscal risks published in Budget Paper No. 1 as required by the Charter of Budget Honesty Act 1998. 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 and in the schedule of contingencies to comply with
section 80.5 of this schedule, noting that disclosure requirements for the Statement of Risks may differ from those of section 80.5.

80.53P Notwithstanding sections 80.71G and 80.72G, if an entity has given a financial guarantee, it must include a statement beneath its schedule of contingencies saying that it has given a financial guarantee and that details are contained in the financial instruments note.

80.54P A contingent liability and a contingent asset are not to be netted off. The extent to which any contingent liability and asset are linked can be stated separately.

GUIDANCE

80.71G AASB 137 para. 2 excludes from its scope those financial instruments (e.g. financial guarantee contracts) that are covered by AASB 139.

80.72G AASB 139 para. 2(e) includes financial guarantee contracts in its scope (as defined in AASB 139 para. 9).
81 **Commitments**

81.1 Entities must disclose the nature, and where quantifiable, the amount of each class of departmental commitment in a schedule of commitments in accordance with the tables in Annexure A and in compliance with AAS. Equivalent disclosure for administered commitments must be included in the schedule of administered items by agencies (see Division 85).

81.2 Where there are no commitments in either the current or the immediately preceding reporting periods, it is not necessary to include a schedule for such items. Instead, the fact that there are no such items should be disclosed in the notes to the financial statements.

81.3 Commitments receivable must be disclosed where the inflow of resources is probable.

81.4 The amounts reported as commitments payable and commitments receivable must include GST where applicable. A corresponding commitment receivable or payable must be recorded for the net GST amounts recoverable from or payable to the ATO.

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**POLICY**

**Operating Lease Disclosures**

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 or the schedule of administered items as outlined in Annexure A. 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 are disclosed in notes to the financial statements, rather than the schedule of commitments or schedule of administered item.

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**GUIDANCE**

**Commitments and Liabilities**

81.71G Commitments:

(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;

(b) are unrecognised liabilities that are obligations contained in a contract, agreement or undertaking that are equally proportionately unperformed; and

(c) do not include future year appropriations.
81.72G Commitments may be capital, non-capital, payable or receivable. Payables and receivables should not be offset against each other.

81.73G 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 equally proportionately unperformed. Where a government 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. For example, even though a government does not have a present obligation to sacrifice future economic benefits under multi-year public policy agreements that are grant activity-based until the grantee meets conditions such as grant eligibility criteria or has provided the services or facilities required by the grant agreement, they should be reported as commitments.

**Agreements**

81.74G 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 (AASB 137 para. 3).

81.75G 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.

81.76G 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**

81.77G 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.

**GST Receivable/Payable**

81.78G The commitments receivable or payable for GST to be received from or paid to the ATO, as outlined in section 81.4, are to be disclosed as a single net figure in the schedule of commitments rather than being shown separately.
82 Asset Additions

82.1 Entities must disclose the amount of each class of non-financial non-current departmental asset additions in a schedule of asset additions in accordance with tables in Annexure A. Equivalent disclosure for each class of non-financial non-current administered asset additions must be included in the schedule of administered items by entities.

82.2 Where there are no asset additions in either the current or the immediately preceding reporting periods, it is not necessary for an entity to include a schedule of such items. Instead, the fact that there are no such items should be disclosed in the notes to the financial statements.
Part G   ADMINISTERED REPORTING

OVERVIEW

Part G outlines the reporting requirements for the schedule of administered items addressed in Part F, detailing all administered reporting requirements pertaining to Australian Government entities. These include required disclosures of administered items in the administered face statements (schedule of administered items), administered notes and tables.

85   Administered Reporting – General Information

85.1 The financial statements of an entity that administers activities for the Australian Government, must include a schedule of administered items and associated administered notes.

85.2 The schedule of administered items and associated administered notes must:
   (a) include administered items as defined in Division 15;
   (b) be presented in the form prescribed by Annexure A;
   (c) include the administered reconciliation table in accordance with section 85.5;
   (d) include disclosures in relation to accounting policies in accordance with the relevant AAS; and
   (e) use background shading for the schedule of administered items and administered notes.

85.3 The schedule of administered items and administered notes must:
   (a) comply with AASB 1050 and all applicable requirements of this schedule; and
   (b) provide in the heading of, or as a footnote to, the schedule of administered items, a brief description of the activities being administered on behalf of the Australian Government.

85.4 A statement of changes in equity is not required for administered items.
85.5 The administered reconciliation table must include the following line items:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>Opening administered assets less administered liabilities as at 1 July</td>
</tr>
<tr>
<td>(b)</td>
<td>Adjustment for change in accounting policies</td>
</tr>
<tr>
<td>(c)</td>
<td>Adjustment for errors</td>
</tr>
<tr>
<td>(d)</td>
<td>Adjusted opening administered assets less administered liabilities</td>
</tr>
<tr>
<td>(e)</td>
<td>Plus: Administered income</td>
</tr>
<tr>
<td>(f)</td>
<td>Less: Administered expenses (non CAC) Payments to <em>CAC Act</em> bodies</td>
</tr>
<tr>
<td>(g)</td>
<td>Administered transfers to/from Australian Government:</td>
</tr>
<tr>
<td></td>
<td>(i) Appropriation transfers from OPA:</td>
</tr>
<tr>
<td></td>
<td>• Annual appropriations administered expenses (non CAC)</td>
</tr>
<tr>
<td></td>
<td>• Administered assets and liabilities appropriations</td>
</tr>
<tr>
<td></td>
<td>• Annual appropriations for payment to <em>CAC Act</em> bodies</td>
</tr>
<tr>
<td></td>
<td>• Special appropriations (limited) (non CAC)</td>
</tr>
<tr>
<td></td>
<td>• Special appropriations (limited) paid to <em>CAC Act</em> bodies</td>
</tr>
<tr>
<td></td>
<td>• Special appropriations (unlimited) (non CAC)</td>
</tr>
<tr>
<td></td>
<td>• Special appropriations (unlimited) paid to <em>CAC Act</em> bodies</td>
</tr>
<tr>
<td></td>
<td>(ii) Transfers to OPA</td>
</tr>
<tr>
<td></td>
<td>(iii) Restructuring of administrative arrangements</td>
</tr>
<tr>
<td>(h)</td>
<td>Transfers to other entities (Finance only)</td>
</tr>
<tr>
<td>(i)</td>
<td>Transfers from other entities (Finance only)</td>
</tr>
<tr>
<td>(j)</td>
<td>Administered revaluations taken to/from reserves</td>
</tr>
<tr>
<td>(k)</td>
<td>Currency translation gain/loss</td>
</tr>
<tr>
<td>(l)</td>
<td>Closing administered assets less administered liabilities as at 30 June</td>
</tr>
</tbody>
</table>

**POLICY**

85.51P **AAS** and **AASB Interpretations** are to be applied to administered items as if the schedule of administered items were the financial statements of the Australian Government as a parent entity.

**GUIDANCE**

85.71G Accounting policies for activities administered on behalf of the Australian Government should generally be the same as those for similar departmental activities, unless stated otherwise in this schedule.

85.72G **Rows 85.5(b) and (c) are only for use in the comparative year, not the**
current year of the financial statements.

Section 85.5 requires transfers to the OPA of administered amounts to be recognised in row 85.5(g)(ii), not as administered expenses.
86  **Income and Expenses Administered on Behalf of Government**

**GUIDANCE**

86.71G  Subject to sections 86.72G to 86.75G administered transactions between agencies are accounted for in the same manner as departmental transactions. For example, a purchase of services may be recognised as income in one agency and an expense in the other.

86.72G  Division 92 requires transfers of assets and liabilities resulting from a restructure of administrative arrangements to be recognised as direct adjustments to equity.

86.73G  Section 102.1 requires that administered appropriations are not reported as revenue in the schedule of administered items.

86.74G  Transfers to the OPA are treated in accordance with section 85.5 and section 85.73G.

86.75G  Section 60.3 requires administered cash flows to/from the OPA to be shown as adjustments to administered cash held by an agency, rather than as cash flows related to operating or other activities.
87 Administered Investments

87.1 Administered investments must be disclosed in the financial statements by all entities.

87.2 Administered investments, other than those held for sale in accordance with AASB 5, must be measured at fair value.

87.3 Administered investments are not considered controlled by the entities reporting them.

87.4 Administered investments must not be consolidated on a line by line basis into an entity’s financial statements without approval from the Finance Chief Executive.

POLICY

87.51P Division 87 only applies to administered investments (as defined in Division 4) that are subsidiaries under AASB 127, associates under AASB 128, jointly controlled operations and jointly controlled entities under AASB 131. Investments that are not subsidiaries, associates, jointly controlled operations or jointly controlled entities (e.g. a one per cent shareholding in a listed company) are accounted for as financial assets under Division 45 of this schedule.

87.52P The following hierarchy must be applied to determine the fair value of administered investments:

(a) Observable Market Value

The best evidence of fair value is the quoted price in an active market. An administered investment is regarded as having an active market when prices are readily quotable from a reliable source (i.e. securities exchange, licensed broker, industry group etc) and the prices represent the amount that would be exchanged in an ordinary arms length transaction. This approach is only relevant to for-profit public sector listed entities.

(b) Valuation Techniques

Where there is no active market, the entity is required to determine the fair value of an administered investment using a valuation technique. The valuation technique must incorporate all factors that a market participant would consider in setting a price. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity should use that technique.

87.53P Classifying administered investments as available for sale does not imply they are held for sale. Agencies with financial assets classified as available for sale are required to disclose movements (e.g. movements in fair value) in the administered reconciliation table (administered assets less administered liabilities) rather than administered income or expense.
**GUIDANCE**

87.71G Administered investment includes companies and authorities as well as certain bodies of uncertain status, for example, the Wreck Bay Aboriginal Community Council, but does not include other agencies.

**Valuation Techniques**

87.72G Among the techniques that may be used under section 87.52P(b) are:

(a) Discounted Cash Flows – this method is recommended where an administered investment generates significant consistent cash flows. It is expected that this method will be used to value entities that generate significant cash flows from non-government sources; and

(b) Net Assets - this method is most appropriate to apply when an entity invests in another entity that does not generate significant non-government cash inflows or those cash flows cannot be reliably predicted. It is anticipated that this method will be used to value not-for-profit entities in the GGS. This method requires the investing entity to value its proportionate share of the other entity’s net assets as at current reporting date (even if it is yet to be audited).

87.73G For further information on fair valuation of administered investments, refer to:

(a) AASB 139 Appendix A para. AG69-82; and

(b) AASB 1049.

**Fair Value Disclosure**

87.74G Refer to section 45.89G for further details.
88 Administered Investments Held for Sale

88.1 Where a decision has been made to transfer an administered investment to another entity for sale, but the transfer date is not specified, the asset is assumed to have been transferred on the date of the decision to sell the asset.

88.2 Transfers of administered investments held for sale must be transferred at net book value and accounted for in accordance with Division 45 of this schedule.

88.3 The costs of sale of an administered investment are expensed as incurred, regardless of whether the investment meets the criteria to be held for sale in AASB 5. Costs of sale are not added to the carrying amount of administered investments but the total selling cost must be disclosed in a note to the financial statements where the selling costs are expensed across a number of financial years.

88.4 The following particulars must be disclosed in the administered notes 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.

POLICY

Definitions and Classifications Applicable to Entities

88.51P Administered investments held for sale are to be reported by the relevant Portfolio Department unless a formal decision has been made to transfer the administered asset to Finance. Evidence of the decision may take the form of a written agreement between the relevant Minister and the Finance Minister.

GUIDANCE

88.71G AASB 5 does not apply to the restructuring of administrative arrangements (e.g. AAO). It only applies where an asset is being sold.

Administered Investments Held for Sale – Measurement

88.72G While administered investments that are held for sale are disclosed under AASB 5, they are measured under AASB 139 because they are financial assets.
Immediately prior to being classified as held for sale, administered investments must be revalued in accordance with AASB 139.

**Administered Investments Held for Sale – Costs to Sell**

Costs to sell typically include:
- project management;
- advisory services;
- advertising and marketing;
- legal fees;
- scoping studies; and
- regulatory fees.

Finance has responsibility for the sale of assets under AAO, this does not mean that Finance needs to own the asset being sold. 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.

Where there is no such formal agreement or decision, the asset will remain for sale with the portfolio department, even when the sale process is managed by Finance.
89  Impairment of Administered Assets

GUIDANCE

89.71G Agencies must apply the impairment provisions under AASB 139 to administered investments as well as other administered financial instruments accounted for under AASB 139.

89.72G Administered assets other than financial instruments should be assessed for impairment under the appropriate AAS.

89.73G The appropriate AAS for assessment of receivables for statutory charges is AASB 136 (see section 31.1).

89.74G AASB 136 applies to administered assets that are not financial instruments. However, it is noted that estimates, averages and shortcuts may be applied under AASB 136 para. 23 and this permits assessment on a portfolio basis where this is appropriate (e.g. impairment of a large portfolio of statutory receivables).

Generation of Cash Inflows

89.75G 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.
90 Liabilities Administered on Behalf of the Government

90.1 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 in the administered financial statements of Finance (PSS and CSS) and the Department of Defence (military superannuation schemes) on behalf of the Australian Government.
91 **Transfer Payments**

91.1 The broad categories of and amounts transferred to recipients of transfer payments must be disclosed in the financial statements.

**GUIDANCE**

91.71G [AASB 1050 para. 22](#) requires agencies to disclose the broad categories of recipients of transfer payments and amounts transferred to those recipients.

91.72G 'Broad categories of recipients' is not defined in [AASB 1050](#). Agencies 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.

91.73G Where an agency has the discretion to determine the amount or timing of a payment, the identity of beneficiaries or conditions under which the payments are to be made, judgement is necessary to establish whether or not the agency controls the payments.

91.74G This information is included in Annexure A – Forms of Financial Statements in the note disclosure for Expenses Administered on Behalf of Government. This includes, but is not limited to subsidies, personal benefits and grants.
Part H  RESTRUCTURES OF ADMINISTRATIVE ARRANGEMENTS

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 financial statements of entities must include a note giving particulars of the restructure of administrative arrangements. Separate disclosure must be made for departmental and administered items. Entries need not physically have been processed by the date of transfer for an entity to make the required note disclosure as of that date.

92.2 Assets and liabilities transferred as a result of a restructure of administrative arrangements must be recognised at their net book value immediately prior to transfer.

92.3 For the purposes of this Division, the term ‘government department’ in AASB 1004 means a Government controlled entity.

92.4 The meaning of ‘legislation or other authority’ in the definition of a restructure of administrative arrangements in AASB 1004 is interpreted as meaning one of the following:

(a) a decision of the Cabinet or Prime Minister;
(b) an AAO;
(c) an Act of Parliament or a Regulation under an Act; or
(d) a written agreement between the relevant portfolio minister(s) and the Finance Minister or the Prime Minister, as appropriate.

GUIDANCE

92.71G A restructure of administrative arrangements includes:

(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; or
(c) a reclassification between departmental and administered items.
Restructures of administrative arrangements apply to government controlled not-for-profit entities and for-profit government departments, AASB 1004 para. 54-59. Section 92.3 means that AASB 1004 para. 54-59 apply to all entities.

A restructure of administrative arrangements does not necessarily mean that a function is physically being relocated.

Entities must comply with the reporting requirements in section 51 of the FMA Act on change of functions.

Transfers of cash representing prior years' unspent appropriations should be accounted for against equity in the same way as other assets transferred as part of the restructure of administrative arrangements. However, entities should note that 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 Financial Reporting and Cash Management Division in Finance for further information.
Part I  APPROPRIATIONS

OVERVIEW

Part I addresses recognition and disclosure of departmental and administered appropriations. The accounting treatments to be applied for the specific types of appropriations are defined, as well as how appropriations are to be disclosed in the financial statements. Part I also identifies the general appropriation arrangements that entities must comply with.

Requirements in Part I relate to accounting recognition for financial reporting purposes. Legal authority to spend money is determined on a separate cash basis.

Part I comprises:

Division 100 Recognition of Appropriations – General Information outlines when and how appropriations are to be recognised and how appropriation balances are to be rounded as well as providing information on classification of appropriations, including the types of appropriations and how these are defined.

Division 101 Recognition of Appropriations - Departmental specifically prescribes and provides guidance on the recognition and measurement of departmental appropriations. Departmental equity returns and adjustments are also addressed in this division.

Division 102 Recognition of Appropriations - Administered specifically prescribes and provides guidance on the recognition and measurement of administered appropriations.

Division 103 Recognition of Appropriations – CAC Act entities outlines the recognition and reporting requirements for CAC Act entities in relation to appropriations.

Division 104 Disclosure of Appropriations – outlines the general disclosure requirements for appropriations and the specific disclosure requirements for the appropriation tables.

100 Recognition of Appropriations – General Information

100.1 Appropriations, including special appropriations, are to be recognised and disclosed, in accordance with this schedule, regardless of whether the relevant amounts are considered to be material in accordance with section 12.2.
**POLICY**

**Entities Other Than Agencies**

100.51P Generally speaking, only an agency can receive appropriations and spend money from the CRF. If, under exceptional circumstances, an entity other than an agency receives an appropriation or makes a payment out of the CRF then it must report and disclose under Part I accordingly.

**Definitions and Classifications Applicable to Agencies**

100.52P Departmental outputs appropriations – the total amount set out in the Schedule of the annual *Appropriation Acts* for an agency as Departmental Outputs (referred to as a departmental item in Act 1).

100.53P Departmental non-operating appropriations – an amount set out in the Schedule of the annual *Appropriation Acts* for an agency as Equity Injections, Loans or Previous Years’ Outputs (referred to as an other departmental item in Act 2).

100.54P Special appropriations – see Division 4. These are specified in legislation (other than the annual *Appropriation Acts*) and allow an agency to draw money from the CRF. They can be limited or unlimited and may be departmental or administered.

100.55P Administered operating appropriations - the amount set out in the Schedules of the annual *Appropriation Acts* for an agency by outcome as:

(a) Administered Expenses (administered item) in Act 1;

(b) New Administered Expenses (administered item) in Act 2; or

(c) Payments to States, ACT, NT and local government (States, ACT, NT and local government item), known as Specific Purpose Payments (SPPs).

100.56P Appropriations for payment to CAC Act bodies – the amount set out in the Schedules of the annual *Appropriation Acts* as CAC Act body payment items in Act 1 and 2.

100.57P Administered non-operating appropriations - an amount set out in the Schedule of Act 2 for an agency as Administered Assets and Liabilities (referred to as an administered assets and liabilities item).

**Recognition by Responsible Agency**

100.58P The recognition of appropriations for accounting purposes may not be the same as for legal purposes. Recognition for accounting purposes is by the responsible agency for the appropriation, being the agency named in the relevant legislation or if not named, the portfolio department, unless determined otherwise by the relevant Ministers.

100.59P 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. This is a change to previous practice in which amounts were treated as if they were appropriated directly to the authority and disclosed as appropriations by the authority. For annual appropriations these payments are known as a CAC Act body payment item in the Appropriation Acts from 2008-09 onwards.

**Recognition and Management of Appropriations**

100.60P Appropriation-related material includes:

(a) appropriations under an annual Appropriation Act and all other appropriations;

(b) appropriations and adjustments under sections 20, 21, 28, 30, 30A, 31, 32 and 39 of the FMA Act;

(c) other adjustments to appropriations as determined (e.g. by Cabinet or the Finance Minister) or provided (e.g. the reduction of administered appropriations) under the Appropriation Acts;

(d) special appropriations – limited in amount, formula and/or time and/or determined by a Minister; and

(e) unlimited special appropriations.

**Repayments to the Commonwealth**

100.61P Under subsection 32A(2) of the FMA Act, the increase in appropriation takes effect at the time an entry recording the repayment concerned is made in the accounts and records of the agency.

**Goods and Services Tax - Increase to Appropriations**

100.62P Limited appropriations are increased under section 30A of the FMA Act. That section provides that where a payment is made from a limited appropriation, the appropriation is increased for the GST qualifying amount (input tax credit). (For proper accounts and records, the increase in each appropriation must be recorded). Unlimited appropriations are not to be increased by section 30A of the FMA Act.

100.63P Under subsection 32A(3) of the FMA Act, the increase in appropriation takes effect at the time an entry recording the GST qualifying amount is made in the accounts and records of the agency.

100.64P The GST is then recovered from the ATO.

100.65P For further information on the return of section 30A to the OPA in relation to administered appropriations, refer to EM 2009/33 Cash Management Arrangements: Management of GST on Administered Appropriations in ACM.
FMA & CAC Entities - Appropriations

Appropriations Legislation

100.71G Parliament approves amounts for payment from the CRF through annual appropriations (specified in the annual *Appropriation Acts*) and special appropriations contained in legislation. Division 100 addresses the recognition and measurement of appropriations for accounting purposes by agencies:

(i) within their control (departmental statements); or
(ii) administered on behalf of government (administered statements).

100.72G The reporting of appropriations under this schedule enables an assessment of compliance with section 83 of the *Constitution*:

‘No money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law.’

An appropriation is a legal authority to spend money from the CRF.

Return of Capital

100.73G The Australian Government establishes the entity’s capital therefore a Ministerial decision is required to reduce an entity’s capital.

Recognition and Classification of Appropriations

100.74G The authoritative source for information about the classification and amount of annual appropriations for the period are the relevant annual *Appropriation Acts*. Portfolio Budget Statements provide useful assistance in disaggregating outcomes into outputs and programs but cannot override the appropriation legislation.

100.75G In relation to Machinery of Government and restructuring of administrative arrangements changes, refer to:

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

Special Appropriations – Limited and Unlimited

100.76G Special appropriations are appropriations provided for in Acts that stipulate the particular purpose for which money can be spent. Unlike annual appropriations, they are not approved annually by Parliament as part of the Budget process, but are approved once when the legislation is passed by
Parliament. They can provide funding for both departmental and administered costs and for operating and non-operating purposes.

100.77G If the responsible agency or office bearer is not stated in the legislation, the AAO allocates responsibility for the administration of legislation to Ministers of State and allocates matters to be dealt with to Departments of State. When reporting special appropriations, each Department of State must ensure that all special appropriations for which its Minister is responsible are recognised and disclosed appropriately. For further information on the allocation of responsibility for special appropriations refer to Finance Circular 2005/13 Allocation of responsibilities for special appropriations.

For further assistance, agencies will need to contact their portfolio department.

Relevant Agency Receipts (Section 31)

100.78G FMA Act Section 31 allows for a departmental appropriation to be increased by an amount received by an agency if that amount is of a kind prescribed by the regulations (see FMA Regulations 15 and 16).

100.79G Amounts in relation to insurance receipts (Comcover for most agencies, Refer to section 120.78G for treatment of Comcare receipts) can be added to departmental items under FMA Regulation 15. However, administered insurance receipts must be returned to the OPA as they are not prescribed amounts under the Regulations.

100.80G Under subsection 32A(4) of the FMA Act, the increase in appropriation takes effect at the time the relevant agency receipt (section 31 of the FMA Act) is recorded in the accounts and records of the agency.

100.81G Refer to Finance Circular No. 2008/07 Relevant Agency Receipts – FMA Regulations 15 and 16 for further guidance.

Goods and Services Tax – Increase to Appropriations and Reporting

100.82G Appropriations in the annual Appropriation Acts are net of recoverable GST amounts. FMA Act section 30A automatically increases appropriations for the amount of recoverable GST. It applies to annual appropriations as well as special appropriations limited in amount (including special accounts). FMA Act section 30A does not apply to entities subject to the CAC Act.

100.83G At the time payments to suppliers are made, agencies should record input tax credits as FMA Act section 30A amounts credited to the appropriation.

100.84G The FMA Act section 30A amount is not necessarily equal to the amount of a GST refund received from the ATO. A refund of GST received from the ATO is generally a net amount. It consists of two notional transactions:
(a) recoverable GST (input tax credits) receivable from the ATO; less
(b) GST collected from customers, which is payable to the ATO.

In comparison, the amount by which appropriations are increased under FMA Act section 30A for recoverable GST only consists of the input tax credits in section 100.84G(a) and therefore it will generally be more than the net amount of GST receivable from the ATO.
Appropriations - Adjustments

100.85G  Gained control/lost control means that the agency will/will not have the capacity to benefit from the asset (e.g. appropriation receivable) in the pursuit of its objectives, and will/will not be able to deny or regulate the access of others to that benefit. This will result in an increase/decrease of appropriation recognition, as the case may be. Quarantining an appropriation does not result in loss of control.
101 Recognition of Appropriations - Departmental

101.1 An agency must recognise all departmental appropriations for which it is the responsible agency, as outlined in section 101.3.

101.2 Departmental outputs and departmental non-operating appropriations with the exception of loan appropriations are non-reciprocal transactions for recognition purposes.

101.3 Subject to section 101.10, the earliest point of recognition for a departmental appropriation by an agency is when the agency gains control of the appropriation for accounting purposes as follows, for:

(a) Departmental outputs and departmental non-operating appropriations (excluding loans) specified in the Appropriation Acts at the later of:
   (i) Date of Royal Assent of the Appropriation Act; or
   (ii) The commencement of the financial period the appropriation relates to. That is, when the appropriation is effective (normally Appropriation Acts No. 1 and No. 2 and Appropriation (Parliamentary Departments) Act No. 1 are effective from 1 July);

(b) Loans specified in the Appropriation Acts, when drawn down from the OPA for the amount to be received;

(c) Subject to the revenue recognition principles for special accounts in section 120.3, departmental special appropriations, when the obligation for which the special appropriation exists is incurred to the amount of the obligation;

(d) section 31 of the FMA Act, for the increased appropriation provided by amounts received that are relevant agency receipts, as the amount is earned (i.e. on an accrual basis); and

(e) Advance to the Finance Minister (for Parliamentary Departments, the responsible Presiding Officer) specified in the Appropriation Acts, the date of the determination.

101.4 Each agency must ensure they have a valid appropriation for all amounts drawn from the OPA for refunds (including repayments) required or permitted by law. These refunds, which include repayments made under section 28 of the FMA Act, must be recognised and/or disclosed under their valid appropriation, and as required by section 104.20.

Measurement

101.5 For departmental output appropriations specified in the Appropriation Acts, the full amount appropriated is to be recognised as income in the year of appropriation, as adjusted by certain current year formal additions and reductions listed at section 101.13. Additions and reductions listed at section 101.13 are recognised as adjustments to income, except where an alternative treatment is required under AAS.
Departmental Appropriations Specified in Appropriation Acts

101.6 Subject to section 101.7, departmental non-operating appropriations must be recognised and disclosed at the amounts in the Appropriation Acts, adjusted, where applicable, in accordance with section 101.13.

101.7 Equity injections, loans and previous years’ outputs must be recognised in compliance with the following sections for each item. These entries must be adjusted only by applicable current year formal additions and reductions listed at section 101.13.

101.8 Equity injections must be recognised as a contribution by owners, increasing contributed equity in full from the commencement of the financial year to which the appropriation applies irrespective of when drawn down. Appropriations for equity in Acts passed after the commencement of the period for which the appropriation applies will be recognised from the date of Royal Assent.

101.9 Loan appropriations must be recognised as increases in borrowings. They are not revenue.

101.10 Where additional work is requested by Government with funding to follow in the subsequent period, as previous years’ outputs, the agency must record the funding and an appropriation receivable in the year of agreement for the amount agreed, so long as the transaction is appropriately evidenced. Evidence will include at a minimum, written Ministerial agreement. The subsequent appropriation for previous years’ outputs will reduce the appropriation receivable.

101.11 When an agency transfers cash, for which it has a valid appropriation, to the OPA, but does not relinquish the right to redraw those amounts, the agency must account for this by increasing appropriations receivable.

Adjustments to Current Year Departmental Appropriations

101.12 Formal additions or reductions to recognition of departmental appropriations as outlined in section 101.13, occur when an agency has gained or lost the capacity to control the appropriation. Formal additions or reductions necessitate adjustments to recognition and/or disclosure of appropriations to the extent they have not already resulted in adjustments in previous years.

101.13 Departmental appropriations for the current year may only be adjusted by formal additions or reductions in the current year in relation to the appropriations. 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) Annual appropriations increased by the operation of section 31 of the FMA Act;

(b) transfers of appropriation under section 32 of the FMA Act;

(c) other amounts determined by the Finance Minister (or delegate) or an agency Minister or Presiding Officer under Part 3 Adjusting appropriation items of Appropriation Acts;
(d) adjustments as stipulated by any agreement that provides for additional revenue for over-delivery or a reduction of revenue 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);

(e) adjustments made as a result of a decision by the Government, for an agency to provide additional outputs during the current financial period that will be provided for in the subsequent financial period or to provide fewer outputs where the related funding is to be withdrawn; and/or

(f) all other adjustments made as a consequence of a decision of the Cabinet or the Prime Minister.

101.14 The agreements referred to in section 101.13(d) must:

(a) set out one or more quantifiable deliverable(s) and/or a specific amount of appropriation relating to each; and

(b) be approved by, or arise from, Ministerial or Cabinet decisions prior to the funding being given.

_Equity Returns and Adjustments_

101.15 Departmental equity returns must be recognised as a return of capital by adjusting contributed equity and not as a reduction in, or refund of, revenue. Entities shall account for these payments as a reduction in contributed equity from the time the return of capital is paid.

Departmental equity returns occur:

(a) where an agency relinquishes control of funds which had been appropriation revenue in a previous financial year; or

(b) by making a non-reciprocal payment to the OPA other than as a dividend referred to in Division 41.

101.16 Reductions in contributed equity under section 101.15 are recognised in the financial statements of the agency:

(a) at the date the appropriation amount is reduced as a consequence of Government policy;

(b) at the date of effect of a Ministerial direction;

(c) at the date of the determination reducing a departmental appropriation in accordance with annual Appropriation Acts; or

(d) at the date that payment is made in all other cases.

_Investment of Funds_

101.17 Each agency must recognise and/or disclose all public money invested in authorised investments under section 39 of the _FMA Act_ or surplus funds under section 18 and section 19 of the _CAC Act_ in Table E (appropriately modified) in section 104.25. All money invested under a special account must also be disclosed in accordance with Division 120 of this schedule.
101.18 Where investments are made under an Act of Parliament other than section 39 of the FMA Act, the same format as Table E in section 104.25 should be followed. The name of the relevant Act and section under which the investment is made must be noted. The title of the table may be amended, e.g. for authorities.

**POLICY**

FMA Agencies – Departmental Appropriations

101.51P Appropriations for departmental outputs are controlled by the agency. The chief executive can use these appropriations in the manner they consider appropriate to best achieve the objectives of the agency, within the purpose for which that amount was appropriated.

Relevant Agency Receipts (Section 31 of the FMA Act)

101.52P Relevant agency receipts (section 31 of the FMA Act) can only be spent where there is a relevant departmental item in the Appropriation Act and can only be spent on the departmental expenditure of the agency.

101.53P Where relevant agency receipts are returned to the OPA, and subsequently redrawn, they are to be disclosed as a separate operating cash outflow and inflow, respectively.

101.54P Where a receipt is not a relevant agency receipt for the purposes of FMA Regulations 15 and 16, and is not otherwise able to be kept by the agency (e.g. under section 30 of the FMA Act), it must be returned to the OPA.

Permanent Reductions of Appropriations

101.55P The unspent balances of departmental outputs and non-operating appropriations to agencies remain available across financial years, unless the Finance Minister withdraws drawing rights, or following a request from the responsible Minister, the appropriation is reduced.

101.56P Where drawing rights have been withheld, the appropriation is not reduced but the agency is prevented from adjusting the appropriation and paying money out of the CRF until a new drawing right is granted.

101.57P Departmental and non-operating appropriations do not lapse at financial year-end. However the responsible Minister may decide that part or all of a departmental or non-operating appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister’s determination and is disallowable by Parliament.

101.58P Amounts issued from the OPA in excess of the reduced appropriation amount must be repaid to the OPA. Any un-issued or unspent funds within the reduced appropriation remain available to make payments in future years for those entities.

101.59P Individual agencies seeking appropriation recognition adjustments under section 101.13 are responsible for ensuring that relevant documentation and their agency’s financial records fully support any adjustments to
appropriation reported. Section 101.13 refers to agreements, decisions and policies.

**Goods and Services Tax – Increase to Appropriations**

101.60P Agencies will have to use existing cash balances to pay the supplier the GST inclusive amount prior to being reimbursed by the ATO.

**GUIDANCE**

**FMA Agencies – Departmental Appropriations**

101.71G Agencies may receive departmental receipts from independent sources which are taxable supplies and for which GST is payable to the ATO. These payments may be notional only, to the extent input tax credits absorb GST payable amounts when calculating amounts due to the ATO.

101.72G For guidance regarding relevant agency receipts (section 31 of the FMA Act) see section 100.78G.

**Equity Injections and Returns**

101.73G 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 Appropriations Acts.

**CRF and OPA**

101.74G Transferring money from the OPA to an agency’s bank account does not affect the appropriation balance. The CRF includes the OPA and agencies’ bank accounts. Authorities’ bank accounts are outside the CRF. Spending from the CRF (i.e. the agency’s official bank account) reduces the balance of an appropriation available to be spent.

**Appropriations – Adjustments**

101.75G Section 101.5 states that only certain current year formal additions and reductions listed at section 101.13 are adjustments to income. While the additions and reductions at section 101.13 will generally be adjustments to income, it is not always the case. Two examples that do not adjust income are:

(a) a rebate received for a procurement arrangement for inventory is a prescribed amount for the purposes of section 31 of the FMA Act, and therefore the appropriation is increased. However, under AASB 102 para. 11, rebates are deducted in determining the costs of the purchase of inventories. Therefore the correct recognition in the primary financial statements would be to reduce the cost of inventory, rather than recognise this amount as income; and

(b) An amount received for the transfer of annual and long service leave entitlements is a prescribed amount for the purposes of section 31 of the FMA Act, and therefore the appropriation is increased. However,
AASB 1004 para. 42, requires that the transferee department recognise the liability assumed, the amount received, and where the amount received is less than the liability, an expense for the difference. Once again, no income is recognised.

101.76G Although not intended to be an exhaustive list, agreements 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

101.77G 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 primary financial statements in the current year. 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.

101.78G In the subsequent year, when approved by the Finance Minister, the reduction is recognised in the ‘appropriations reduced’ line item of the appropriation note.

101.79G Foreign exchange gains or losses are an example of funding being provided on a no-win/no-loss basis.

Previous Years’ Output

101.80G When additional outputs are delivered, the additional amount is recorded in the year earned, typically as revenue. However, amounts designated by the Government as contributions by owners should be recognised in equity.
102 Recognition of Appropriations - Administered

102.1 An agency must recognise all administered appropriations for which it is the responsible agency, as outlined below, in the administered reconciliation table (refer section 85.5). Administered appropriations are not to be recognised as revenue in the schedule of administered items.

102.2 The earliest point of recognition for an administered appropriation by an agency for accounting purposes is as follows, for:

(a) Administered appropriations, administered non-operating appropriations, administered special appropriations, when it is drawn down to an agency’s bank account for payment against the appropriation; and

(b) other amounts determined by the Finance Minister (or delegate) or an agency Minister or Presiding Officer under Part 3 Adjusting appropriation items of the Appropriation Acts, the date stated in the determination, or if there is none stated, then the date of the determination.

102.3 Agencies must ensure that they have a valid appropriation for all amounts drawn from the OPA for refunds (including repayments) required or permitted by law. These refunds, which include repayments made under section 28 of the FMA Act, must be recognised and/or disclosed under their valid appropriation, and as required by section 104.20.
POLICY

FMA Act Agencies – CAC Act body payment

102.51P 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.

102.52P With the exception of amounts that are in the nature of an equity injection or loans, these payments are expenses. Payments in the nature of an equity injection are an increase to the carrying amount of the investment and loans are recorded as receivables.

102.53P For annual appropriations these payments are known as a CAC Act body payment item in the Appropriation Acts from 2008-09 onwards.

102.54P 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 contractual arrangements or special appropriations.

Loan Appropriations

102.55P From 2008-09, new loan appropriations for payment 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 accounts, regardless of whether the interest is paid directly to the OPA or through the department.

102.56P Loans appropriated to CAC Act bodies prior to 2008-09 are only to be recorded as cash flows by the portfolio department (where the department is involved in transferring the money to or from the OPA/CAC Act body).

Administered Receipts

102.57P Administered receipts must be deposited in the OPA as they are not classified as Relevant Agency Receipts for the purposes of FMA Regulations 15 and 16.

GUIDANCE

FMA Act Agencies – Administered Appropriations

102.71G Administered appropriations provide funding relating to activities administered by agencies in their fiduciary capacity on behalf of the Australian Government. Consequently, administered appropriations are not revenues of the individual agency that oversees distribution or expenditure of the funds as directed. Amounts to be paid out of the OPA for administered items do not give rise to administered appropriations receivable.

102.72G Drawdowns of administered appropriations will be daily as required, and
entities will be able to make additional drawdowns for the amounts of recoverable GST where necessary. Agencies will need to pass refunds of administered input tax credits received from the ATO back to the OPA. The payments of administered input tax credits received to the OPA are not payments by agencies for appropriation purposes as referred to in Appropriation Acts 1 and Appropriation Acts 2.

102.73G Administered items can not be increased under section 31 of the FMA Act, as administered receipts are not relevant agency receipts for the purposes of FMA Regulations 15 and 16.

102.74G For further guidance on payments to CAC Act bodies, refer to Finance Circular No. 2008/09 Appropriations for Payment to CAC Act Bodies.

Reduction of Administered Appropriations

102.75G Section 11 of Appropriation Acts 1 and section 12 of Appropriation Acts 2 state that if an annual report for an agency for the current year is tabled in Parliament and specifies an amount required for an item less than the amount provided under the Appropriation Act, then the item is taken to be reduced to that required amount.

102.76G The Finance Minister can override those provisions so that they either do not apply or another amount is substituted.

102.77G CAC Act body payment items can be reduced by written request to the Finance Minister under section 12 of Appropriation Acts 1 and section 14 of Appropriation Acts 2.

102.78G Administered assets and liabilities items can be reduced by written request to the Finance Minister under section 13 of Appropriation Act 2.

102.79G Reductions are shown in the year the appropriation is reduced, not backdated to 30 June. For example, a 2009-10 annual report tabled in October of 2010, reduces the administered appropriation in 2010-11.

Appropriations – Indigenous Employment Special Account

102.80G For further guidance on administered amounts appropriated to agencies from the Indigenous Employment Special Account, refer to Finance Brief 33.
103 Recognition of Appropriations – CAC Entities

**POLICY**

103.51P For loans appropriated prior to 2008-09, *CAC Act* bodies must disclose the total loan, the year in which it was appropriated and the amount undrawn at reporting date.

**GUIDANCE**

**CAC Entities – Appropriations**

103.71G For some authorities, Parliament appropriates amounts for payment through annual and special appropriations. Because an authority cannot have drawing rights from the CRF (unless an FMA official is working inside the authority), the amount is drawn down by an *FMA Act* agency and paid to the authority.

103.72G Except in cases where authorities handle public money, transferring cash from the OPA to an authority’s bank account takes that money out of the CRF and reduces the available appropriation balance. By the time the money reaches the authority, it is not an appropriation in its hands.

103.73G Authorities must not disclose these amounts as appropriations. They are disclosed as administered appropriations in the relevant agency. Authorities must disclose these amounts in accordance with the nature of the payment. For example, as revenue, contributed equity, or loans.

103.74G *CAC Act* bodies should ensure that they have the authority to borrow money before entering into a loan arrangement. For more information on loan arrangements refer to EM 2009/37 (Revised) – Accounting Treatment of Loan Arrangements.
104 Disclosure of Appropriations

104A Disclosure - General

104.1 Agencies must make the disclosures in tabular form in the notes to the financial statements required for all appropriations identified in section 101.3, applying to departmental and administered items, pursuant to Tables A1 to G in subdivision 104B.

104.2 Where the responsible agency for the appropriation provides drawing rights to another agency (the agent) to act on its behalf to expend the appropriation, the agent agency will disclose the information required by Table G in section 104.29.

104.3 For special appropriations, a table must be prepared by agencies for each Act authorising the appropriation in accordance with subdivision 104B or alternatively an agency can present each special appropriation as an additional column to the table.

104.4 For special appropriations, where an appropriation has not been drawn on in the current and the previous year, in place of completing the tables in subdivision 104B, an agency may elect to make an abbreviated disclosure that includes all of the following:

(a) whether the special appropriation is departmental or administered;
(b) the legislative provision that provides the authority for the special appropriation;
(c) the outcomes it is associated with;
(d) the fact that the special appropriation was not drawn on in the current or previous year; and
(e) for limited special appropriations, the balance remaining available.

104.5 The responsible agency is to include the relevant details of its special appropriations in the following elements of its financial statements:

(a) for administered special appropriations:
   (i) administered expenses as part of the schedule of administered items;
   (ii) administered assets and liabilities as part of the schedule of administered items;
   (iii) administered cash flows as part of the schedule of administered items;
   (iv) administered reconciliation table in accordance with section 85.5;
   (v) appropriation Tables C, D, E and F in subdivision 104B (as appropriate); and
   (vi) where applicable, full disclosure of the relationship between the responsible agency and the agency paying money from the CRF.
(b) for departmental special appropriations:
   (i) departmental revenues and expenses as part of the statement of comprehensive income;
(ii) departmental assets and liabilities as part of the balance sheet;
(iii) departmental cash flows as part of the cash flow statement;
(iv) appropriation Tables C, D, E and F in subdivision 104B (as appropriate); and
(v) where applicable, full disclosure of the relationship between the responsible agency and the agency paying money from the CRF.

104.6 The amounts shown in the lines of the table for the annual Appropriation Acts (and limited special appropriations legislation) must be the same as the amounts set out in those Acts.

Appropriation Drawdown Model
(Disclosure Clarification)

104.7 Where there are material variances between the cash payments for the reporting period and the amount appropriated, or otherwise authorised,
agencies must provide an explanation of those variances below the relevant table.

104.8 The availability of any un-drawn non-operating appropriations must be disclosed in the notes to the financial statements.

104.9 The amounts shown in the lines for the Budget Estimates for unlimited special appropriations legislation must use the latest estimates from the 2010-11 budget papers, and be based on an agency’s estimate of payments where eligibility is established.

104.10 Special appropriations under sections 28 and 39 of the FMA Act are to be reported by the agency making the payment from the CRF. Additional disclosure is required by Tables D and E in sections 104.20 and 104.25 respectively.

104.11 Where an agency, that is not the responsible agency, has paid money out of the CRF from a special appropriation or an annual appropriation:
   (a) the responsible agency must disclose the name of the agency to which it has given authority to act as its agent and apply the reporting requirements outlined in this division, namely disclosing the transactions in its face statements and appropriations note; and
   (b) the agency that has paid money out of the CRF against an appropriation must disclose the name of the responsible agency and apply the reporting requirements outlined at section 104.12.

104.12 An agency paying money out of the CRF on behalf of a responsible agency against a special appropriation or annual appropriation must include relevant details of the appropriation as a separate note in its financial statements as follows:
   (a) full disclosure of the relationship between the agency paying from the CRF and each responsible agency; and
   (b) for each special appropriation or annual appropriation, the amount of receipts, subsequent payments from the CRF and the resulting balance of any money held using Table G in section 104.29.

104.13 Where an agent pays money out of the CRF on behalf of the responsible agency, the responsible agency must ensure that systems and processes are in place to enable appropriate reporting of the appropriation.
104B Appropriations Tables

OVERVIEW

This subdivision specifies, in conjunction with the relevant tables in Annexure A, the appropriations items that must be disclosed. It also specifies which items are to be reported on a cash basis and which items are to be reported on an accruals basis for each of the following tables required by Annexure A:

- Table A1 Acquittal of Authority to Draw Cash from the CRF for Ordinary Annual Services Appropriations
- Table A2 Acquittal of Authority to Draw Cash from the CRF for Ordinary Annual Services Appropriations (Reduction in Administered Items)
- Table B1 Acquittal of Authority to Draw Cash from the CRF for Other than Ordinary Annual Services Appropriations
- Table B2 Acquittal of Authority to Draw Cash from the CRF for Other than Ordinary Annual Services Appropriations (Reduction in Administered Items)
- Table C Acquittal of Authority to Draw Cash from the CRF - Special Appropriations (Unlimited Amount)
- Table D Acquittal of Authority to Draw Cash from the CRF - Special Appropriations (Refund Provisions)
- Table E Acquittal of Authority to Draw Cash from the CRF - Special Appropriations (section 39 of the FMA Act)
- Table F Acquittal of Authority to Draw Cash from the CRF - Special Appropriations (Limited Amount)
- Table G Disclosure by Agent in Relation to Appropriations

104.14 Items in sections 104.15 and 104.16 must be recorded on a cash basis, except for items marked with an asterisk (*). These items must be reported on an accrual basis.

104.15 Agencies must report the information contained in Table A1 Acquittal of Authority to Draw Cash from the CRF for Ordinary Annual Services Appropriations and Table A2 Acquittal of Authority to Draw Cash from the CRF for Ordinary Annual Services Appropriations (Reduction in Administered Items) as follows:

(a) Table A1 must include information on:
   (i) administered expenses by outcome and payments to CAC Act bodies;
   (ii) total departmental outputs;
   (iii) total of (i) and (ii); and
   (iv) the following mandatory line items in the sequence listed below, if applicable:

<table>
<thead>
<tr>
<th>(A) Balance brought forward from previous period (Appropriation Acts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation Act:</td>
</tr>
</tbody>
</table>
Table A2 must include information on:

(i) administered expenses by outcome and total; and
(ii) the following mandatory line items in the sequence listed below, if applicable:

| (B) | Appropriation Act (No. 1, 3&5) 2009-2010 as passed |
| (C) | [Other annual appropriation acts as passed] (show each Appropriation Act as a separate line item) |
| (D) | Appropriations reduced (Appropriation Act sections 10, 11 & 12) |
| (E) | Advance to the Finance Minister (Appropriation Act section 13) |
| (F) | Indigenous Employment Special Account receipts (Appropriation Act section 14) |

**FMA Act:**

| (G) | Repayments to the Commonwealth (FMA Act s30) |
| (H) | *Appropriations to take account of recoverable GST (FMA Act s30A) |
| (I) | Relevant agency receipts (FMA Act section 31) |
| (J) | Transfer of agency functions (FMA Act section 32) |
| (K) | Total appropriation available for payments |
| (L) | Cash payments made during the year (GST inclusive) |
| (M) | Appropriations credited to special accounts (GST exclusive) |

(N) Balance of authority to draw cash from the CRF for ordinary annual services appropriations and as represented by:
   (i) Cash at bank and on hand
   (ii) *Departmental appropriations receivable
   (iii) *Undrawn, unlapped administered appropriations
   (iv) *Net GST payable to/from ATO
   (v) *Adjustments under section 101.13 of the Finance Minister’s Orders not reflected above

| (O) | Total as at 30 June |

(b) Table A2 must include information on:
   (i) administered expenses by outcome and total; and
   (ii) the following mandatory line items in the sequence listed below, if applicable:

**Reduction in administered items**

| (A) | Total administered items appropriated 2009-2010 |
| (B) | Less administered items required by the agency as per Appropriation Act section 11: |
   (i) Appropriation Act (No. 1) 2009-2010
   (ii) Appropriation Act (No. 3) 2009-2010 |
Agencies must report the information contained in Table B1 *Acquittal of Authority to Draw Cash from the CRF for Other than Ordinary Annual Services* and Table B2 *Acquittal of Authority to Draw Cash from the CRF for Other than Ordinary Annual Services (Reduction in Administered Items)* as follows:

(a) Table B1 must include information on:

(i) state, ACT, NT and local government items by outcome;
(ii) New Administered Expenses related to each outcome;
(iii) equity injections;
(iv) loans;
(v) previous years’ outputs;
(vi) administered assets and liabilities;
(vii) *CAC Act* body payment items;
(viii) total of (i) to (vii); and
(ix) the following mandatory line items in the sequence listed below, if applicable:

<table>
<thead>
<tr>
<th>Balance brought forward from previous period (Appropriation Acts)</th>
</tr>
</thead>
</table>

**Appropriation Act:**

<table>
<thead>
<tr>
<th>Appropriation Act (No. 2, 4&amp;6) 2009-2010</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Appropriation Act (No. 5) 2009-2010</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>[Other annual appropriation acts as passed] (show each Appropriation Act as a separate line item)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Appropriations reduced (Appropriation Act sections 12, 13&amp;14)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Advance to the Finance Minister (Appropriation Act section 15)</th>
</tr>
</thead>
</table>

**FMA Act:**

<table>
<thead>
<tr>
<th>Repayments to the Commonwealth (FMA Act section 30)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><em>Appropriations to take account of recoverable GST (FMA Act s30A)</em></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Transfer of agency functions (FMA Act section 32)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Total appropriations available for payments</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Cash payments made during the year (GST inclusive)</th>
</tr>
</thead>
</table>
(b) Table B2 must include information on:
   (i) state, ACT, NT and local government items;
   (ii) New Administered Expenses related to each outcome;
   (iii) total of (i) and (ii); and
   (iv) the following mandatory line items in the sequence listed below, if applicable:

<table>
<thead>
<tr>
<th>Reduction in administered items</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Total administered items appropriated 2009-2010</td>
</tr>
<tr>
<td>(B) Less administered items required by the agency as per Appropriation Act section 12:</td>
</tr>
<tr>
<td>(i) Appropriation Act (No. 2) 2009-2010</td>
</tr>
<tr>
<td>(ii) Appropriation Act (No. 4) 2009-2010</td>
</tr>
<tr>
<td>(iii) Appropriation Act (No. 6) 2009-2010</td>
</tr>
<tr>
<td>(iv) [Other annual appropriation acts as passed] (show each Appropriation Act as a separate line item)</td>
</tr>
<tr>
<td>(v) Total administered items required by the agency as represented by:</td>
</tr>
<tr>
<td>i. Spent</td>
</tr>
<tr>
<td>ii. Retention</td>
</tr>
<tr>
<td>(C) Total reduction in administered items - effective 2010-2011</td>
</tr>
</tbody>
</table>
104.17 Agencies must report the information contained in Table C Acquittal of Authority to Draw Cash from the CRF - Special Appropriations (Unlimited Amount) as follows:

(a) Table C must include information on:

(i) particulars of legislation providing appropriation (including purpose of the appropriation); and

(ii) the following line items in the sequence listed below:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(A)</td>
<td>Cash payments made during the year</td>
</tr>
<tr>
<td>(B)</td>
<td>Appropriations credited to special accounts</td>
</tr>
<tr>
<td>(C)</td>
<td>Repayments to the Commonwealth (net) (<em>FMA Act section 30</em>)</td>
</tr>
<tr>
<td>(D)</td>
<td>Total charged to appropriation</td>
</tr>
<tr>
<td>(E)</td>
<td>Estimated actual</td>
</tr>
</tbody>
</table>

104.18 Agencies must disclose separately in Table C (section 104.17) for each Act, current as at reporting date. Entities must disclose, in the heading or by way of footnote:

(a) whether the special appropriation is departmental or administered; and

(b) the outcome with which it is associated.

Agencies must disclose all unlimited special appropriations in this format, excluding those unlimited special appropriations required to be disclosed under Tables D and E in sections 104.20 and 104.25 respectively.

104.19 Where line items (D) and (E) of Table C are prepared on a different basis for GST purposes, agencies must disclose whether these amounts are GST inclusive or exclusive.

104.20 Agencies must report the information contained in Table D Acquittal of Authority to Draw Cash from the CRF - Special Appropriations (Refund Provisions) as follows:

(a) Table D must include information on:

(i) particulars of legislation providing appropriation (including purpose); and

(ii) the following line items, if applicable, in the sequence listed below:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(A)</td>
<td>Cash payments made during the year</td>
</tr>
<tr>
<td>(B)</td>
<td>Appropriations credited to special accounts</td>
</tr>
<tr>
<td>(C)</td>
<td>Repayments to the Commonwealth (net) (<em>FMA Act section 30</em>)</td>
</tr>
<tr>
<td>(D)</td>
<td>Total charged to special appropriation</td>
</tr>
<tr>
<td>(E)</td>
<td>Budget Estimate (listing each other legislative provision relating to payments included in line (A))</td>
</tr>
<tr>
<td>(F)</td>
<td>Budget Estimate (<em>FMA Act section 28</em>)</td>
</tr>
</tbody>
</table>
104.21 Where an agency has not used section 28 of the FMA Act or any other legislative provision allowing for refunds to be paid, that agency may make the following statement in the notes to their financial statements, in place of disclosing Table D in section 104.20: For the periods 2008-09 and 2009-10, (agency) has not used section 28 of the FMA Act or any other legislative provision allowing for refunds to be paid.

104.22 An agency may choose to disclose the information required by Table D in a separate table for each legislative provision, rather than combined in the one table, provided that all repayments using section 28 of the FMA Act, or other legislative provisions for repayments, are disclosed.

104.23 Line (A) Cash payments made during the year, Table D, in section 104.20, is an aggregate of the payments made under the legislative provisions reported in the table.

104.24 Where line item (D) of Table D is prepared on a different basis to line items (E) and (F) for GST purpose, agencies must disclose whether these amounts are GST inclusive or exclusive.

104.25 Agencies must report the information contained in Table E Acquittal of Authority to Draw Cash from the CRF - Special Appropriations (section 39 of the FMA Act) as follows:

(a) Table E must include information on:
   (i) investment of public money; and
   (ii) the following line items in the sequence listed below:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(A)</td>
<td>Amount invested brought forward from previous period</td>
</tr>
<tr>
<td>(B)</td>
<td>Prior year investments redeemed in current year</td>
</tr>
<tr>
<td>(C)</td>
<td>Investments made during the year</td>
</tr>
<tr>
<td>(D)</td>
<td>Redemptions of current year investments (gross)</td>
</tr>
<tr>
<td>(E)</td>
<td>Amount invested carried to the next period (sum of the above)</td>
</tr>
<tr>
<td>(F)</td>
<td>Budget Estimate</td>
</tr>
</tbody>
</table>

104.26 Where an agency has a delegation but has not used section 39 of the FMA Act, that agency may make the following statement in place of disclosing Table E in section 104.25: For the periods 2008-09 and 2009-10, (agency) has not used section 39 of the FMA Act.
104.27 Where line items (E) and (F) of Table E are prepared on a different basis for GST purpose, agencies must disclose whether these amounts are GST inclusive or exclusive.

104.28 Agencies must report the information contained in Table F Acquittal of Authority to Draw Cash from the CRF - Special Appropriations (Limited Amount) as follows:

(a) Table F must be reported by appropriation type, on a cash basis, except for items marked with an asterisk (*) which must be reported on an accrual basis.

(b) Table F must include information on:
   (i) particulars of legislation providing appropriation (including purpose); and
   (ii) the following line items in the sequence listed below:

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A)</td>
<td>Amount brought forward from previous period</td>
</tr>
<tr>
<td>(B)</td>
<td>Appropriation for reporting period</td>
</tr>
<tr>
<td>(C)</td>
<td>Repayments to the Commonwealth (net) (FMA Act section 30)</td>
</tr>
<tr>
<td>(D)</td>
<td>Appropriations to take account of recoverable GST (FMA Act section 30A)</td>
</tr>
<tr>
<td>(E)</td>
<td>Available for payments</td>
</tr>
<tr>
<td>(F)</td>
<td>Cash payments made during the year (GST inclusive)</td>
</tr>
<tr>
<td>(G)</td>
<td>Appropriations credited to special accounts</td>
</tr>
<tr>
<td>(H)</td>
<td>Appropriations lapsed</td>
</tr>
<tr>
<td>(I)</td>
<td>Amount available carried to the next period and as represented by:</td>
</tr>
<tr>
<td></td>
<td>(i) Cash</td>
</tr>
<tr>
<td></td>
<td>(ii) *Departmental appropriation receivable</td>
</tr>
<tr>
<td></td>
<td>(iii) *Net GST payable to/from ATO</td>
</tr>
<tr>
<td></td>
<td>(iv) *Undrawn, unlapsed administered appropriations</td>
</tr>
<tr>
<td>(J)</td>
<td>Total</td>
</tr>
</tbody>
</table>

104.29 Agencies must report the information contained in Table G Disclosure by Agent in Relation to Annual and Special Appropriations as follows:

(a) Table G must include information on:
   (i) departmental and administered items for each responsible agency that the agent acts on behalf of and total;
   (ii) name of legislation providing the appropriation; and
   (iii) the following line items in the sequence listed below, if applicable:

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A)</td>
<td>Total receipts</td>
</tr>
<tr>
<td>(B)</td>
<td>Total payments</td>
</tr>
</tbody>
</table>
POLICY

GST Disclosures
104.51P GST incurred in relation to an agency's expenditure is reflected in the appropriations note in the form of:
(a) Cash payments made during the year (because these are GST inclusive); and
(b) Appropriations to take account of recoverable GST (FMA Act section 30A).

104.52P Payments to the ATO of departmental GST amounts collected on receipts, whether notional or real, must not be disclosed in the appropriations note.

Appropriation Tables
104.53P Annexure A – Forms of Financial Statements prescribes the presentation and format for each of Tables A1 to G required by subdivision 104B.

104.54P Tables may be presented in landscape form.

104.55P An example of an appropriation to be increased for amounts repaid (under FMA Act section 30) would be where a grant has been overpaid to a recipient and the overpaid portion is returned to the agency. However, if that payment was from an administered expense appropriation and the repayment was after reporting date, the repaid money is not available to be spent but must be recorded against the original appropriation and paid to the OPA.

104.56P The amounts recorded as an adjustment of appropriations on change of agency function (FMA Act section 32 transfers), would be the amounts recorded in the signed FMA Act section 32 determinations.

104.57P The amounts recorded in Table A1 (Ordinary Annual Services Appropriations), Table B1 (Other than Ordinary Annual Services Appropriations) and Table F (Special Appropriations Limited Amount) for Appropriations to take account of recoverable GST will be the amounts of GST appropriated during the reporting period on a cash basis, but will need to exclude GST included in other tables, including the special account table. This will allow for comparability between appropriation disclosure under subdivision 104B and the disclosure of special account under Division 120.

104.58P Where an adjustment meets the recognition criteria of a formal addition or reduction in revenue, in accordance with section 101.13, but at law the appropriation has not been amended before the end of the reporting year, the amount recognised in the face statements for accounting purposes will be different to the amount available under law. In order for these tables to balance the agency must also disclose those amounts in line (N)(v) of Table A1 or line (L)(v) of Table B1. This may be done as an aggregate in the
For example, an agency under-delivers and subsequently has its revenue reduced (see section 101.13(d)) however the appropriation is not amended prior to year end.

104.59P Appropriations for additional outputs that are subject to formal approval by Parliament, as per section 101.13, must not be recognised in the top section of Table A1 (Ordinary Annual Services Appropriations) and Table B1 (Other than Ordinary Annual Services Appropriations).
   (a) The top section of these tables must only present legally available appropriations. Until such time as funds are appropriated from Parliament, they are not legally available (appropriations).
   (b) These amounts should be disclosed as a negative amount in line (N)(v) of Table A1 or (L)(v) of Table B1. This may be done as an aggregate in the table, with a footnote providing the detail of the adjustment.

104.60P The comparative year information may be shown to the right of the current year columns in Table A1 to G.

104.61P CAC Act body payment items must be included in Table A1 and Table B1 by the relevant agency both in terms of administered appropriations received and cash payments made during the year. For more information on CAC Act body payments refer to policy in Division 102.

104.62P Administered items are reduced to the amount specified in the agency's annual report (prior to 2008-09 the process of reducing administered items was commonly known as the section 8 process). Specifically this will be done via Table A2 and Table B2. Amounts in this section are not rounded; they must be presented to the cent.

104.63P The line ‘Total administered items appropriated 2009-10’ in Table A2 and Table B2 represents the total amount of administered items for the agency for the year. That is, the amounts in the current year’s appropriation acts as passed, plus or minus adjustments to the current year’s administered items. Not all items listed in Table A1 and Table B1 actually amend an administered item for the purposes of this calculation. Estimates memorandum 2009/32 provides advice to agencies on how to calculate this line item.

104.64P Agencies must then disclose the amount required for each administered item against the relevant annual appropriation act. Estimates Memorandum 2009/32 provides advice to agencies on how to calculate this line item.

104.65P Line (C) in Table A2 and line (C) in Table B2 are transferred to line (D) in Table A1 and line (D) in Table B1 respectively in the next financial year, as that is when they are effective. When they are transferred they are rounded.

104.66P For cross-referencing purposes, where an agency makes disclosures under Table C (Special Appropriations Unlimited Amount) or Table F (Special Appropriations Limited Amount) and at least one other agency has drawn from the same special appropriation, the agency making disclosures under this table must name those other entities by making the following
statement: (Other agency/agencies) also drew from (special appropriation provision/s).

104.67P The item cash payments made during the year of Table C (Special Appropriations Unlimited Amount) must reflect total cash payments made under the special appropriation by the agency during the year.

104.68P Agencies must disclose their latest published 2009-10 budget estimates in Table C (Special Appropriations Unlimited Amount) as reported in their 2010-11 Budget Papers.

104.69P Agencies must disclose separately in Table D (Special Appropriations Refund Provisions) for each Act, current as at reporting date. Entities must, in the heading or by way of footnote:
(a) identify whether the special appropriation is administered or departmental; and
(b) disclose the outcome/s it is associated with.
If a departmental special appropriation includes both outputs and capital funding, separate columns must be presented in the tables for each.

104.70P The item cash payments made during the year in Table D (Special Appropriations Refund Provisions) must reflect the total refunds made under FMA Act section 28 and other legislation where the refunds are similar in nature by the agency during the year.

104.71P Agencies must disclose their latest published 2009-10 budget estimate in Table D (Special Appropriations Refund Provisions) and Table E (Special Appropriations FMA Act Section 39) as reported in their 2010-11 Budget Papers.

104.72P In the heading to Table E (Special Appropriations FMA Act Section 39) agencies must:
(a) identify whether the special appropriation is departmental or administered; and
(b) disclose the outcome it is associated with.

104.73P Where an FMA Act section 39 investment has earned interest in a prior year, and that interest is redeemed and reinvested, agencies must include the amount of interest in the item Prior year investments redeemed in current year in Table E (Special Appropriations FMA Act Section 39) and state that this amount includes interest and the amount of interest that is included.

104.74P Agencies must disclose the amount of limited special appropriations in Table F (Special Appropriations Limited Amount) that lapse due to the passage of time or any other constraints contained within the provisions of the special appropriations enabling legislation. The item Appropriations lapsed in Table F reflects an unspent appropriation that is no longer available. This amount should reduce the amount available carried to the next period item in this table.

GUIDANCE
Appropriations and Budget

104.71G The requirement specified in section 104.6 provides comparability and an appropriate acquittal to Parliament of the resources provided to agencies. In general, the single appropriation makes cash available equivalent to the estimated accrual expense of all the outputs that the agency plans to deliver that year. This includes the operational costs of the program covered by the administered expenses appropriations (appropriation is not provided for non-cash costs such as bad debts and write-offs). Therefore an acquittal of the cash amount is required by section 104.7.

104.72G The amount available to be drawn down for unlimited special appropriations is not limited by the agency’s estimates referred to in section 104.9.

Reduction in Administered Appropriations

104.73G Where agencies have administered appropriations, sections 104.15 and 104.16 require agencies to prepare Table A2 and B2. For the purposes of Tables A2 and B2, the total of all required amounts for the agency as per sections 11 and 12 of the Appropriation Acts, equals the administered operating appropriation spent during the year plus an amount to be retained.

Departmental Non-Operating Appropriations

104.74G Compliance with section 104.8 is important as the existence of undrawn non-operating appropriations could affect user perceptions of an agency. This is particularly important for loan appropriations that have not been drawn down and are consequently not recognised. Refer to Table B1 in Annexure A for loan appropriation disclosures.

Parliamentary Departments and Emergency Acts

104.75G Where applicable these disclosures also apply to Parliamentary Department Appropriation Acts as well as Emergency Acts (such as those for the Northern Territory intervention). Section numbers may be different in different Appropriation Acts and should be amended accordingly.

Not Acting as an Agent

104.76G If Agency B receives an amount from Agency A and then pays this amount on to a third party using another appropriation, then it is not acting as an agent for Agency A per section 104.11. For example, if Agency B uses that money to increase the balance of its departmental or administered special account before paying to the third party, it is then appropriated in its own right and becomes a responsible agency with respect to that appropriation, rather than acting as agent in relation to the original appropriation in Agency A. Agency B must recognise the receipt and payment in its face statements accordingly.

FMA Section 30A

104.77G In tables A1 and B1 the line item Appropriations to take account of recoverable GST (FMA Act s30A) is on an accrual basis to the extent that an expense may have been incurred that includes GST but has not been paid by year end.
Part J OTHER DISCLOSURES

OVERVIEW

Part J addresses specific disclosure requirements in the face statements and supporting notes, schedules and tables for special account and compensation and debt relief arrangements. Part J also prescribes how Australian Government agencies are required to report outcomes in the financial statements.

120 Special Accounts

120.1 Special accounts must have a positive balance at all times. The balance represents the appropriation available to be drawn from the CRF.

120.2 Agencies must disclose information on special accounts in accordance with this schedule for departmental and administered items, regardless of whether the relevant amounts are considered to be immaterial.

120.3 Amounts deposited in a special account from external parties must be recognised when the agency controls the funding as income/assets. These amounts are to be recognised in the statement of comprehensive income and balance sheet on an accrual basis.

120.4 The special account is reflected in the agency’s departmental or administered financial statements as appropriate unless it is classified as special public money, in which case it is reflected in the notes only.

120.5 Transfers of departmental appropriations and/or administered appropriations, which have already been received and recognised, to a special account are not income recognised/disclosed in the financial statements, but are an internal transfer.

120.6 Agencies must make the special account disclosures as required in Table A (section 120.7) on a cash basis. Agencies can disclose each special account in a separate table or each as a new column to the table.

120.7 Agencies must report the information contained in the following table in relation to special accounts in this sequence if applicable:

<table>
<thead>
<tr>
<th>Table A Special Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Balance brought forward from previous period</td>
</tr>
<tr>
<td>(b) Appropriation for reporting period</td>
</tr>
<tr>
<td>(c) Costs recovered</td>
</tr>
<tr>
<td>(d) Appropriations to take account of recoverable GST (FMA Act section 30A)</td>
</tr>
<tr>
<td>(e) Realised investments</td>
</tr>
<tr>
<td>(f) Other receipts</td>
</tr>
<tr>
<td>(g)</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>(h)</td>
</tr>
<tr>
<td>(i)</td>
</tr>
<tr>
<td>(j)</td>
</tr>
<tr>
<td>(k)</td>
</tr>
<tr>
<td>(l)</td>
</tr>
<tr>
<td>(m)</td>
</tr>
<tr>
<td>(i)</td>
</tr>
<tr>
<td>(ii)</td>
</tr>
<tr>
<td>(n)</td>
</tr>
</tbody>
</table>

### 120.8
Agencies must report the information contained in the following table in relation to special accounts investment of public money in this sequence if applicable:

#### Table B Special Accounts Investment of Public Money

<table>
<thead>
<tr>
<th>(a)</th>
<th>Full official title of Special Account: Investment of Public Money under <em>section 39 of the FMA Act</em></th>
</tr>
</thead>
<tbody>
<tr>
<td>(b)</td>
<td>Opening balance</td>
</tr>
<tr>
<td>(c)</td>
<td>Investments made:</td>
</tr>
<tr>
<td>(i)</td>
<td>From special account</td>
</tr>
<tr>
<td>(ii)</td>
<td>Other</td>
</tr>
<tr>
<td>(d)</td>
<td>Investment income</td>
</tr>
<tr>
<td>(e)</td>
<td>Transaction charges</td>
</tr>
<tr>
<td>(f)</td>
<td>Investments realised</td>
</tr>
<tr>
<td>(g)</td>
<td>Closing Balance</td>
</tr>
</tbody>
</table>

#### 120.9
Investments made through the special account are generally external to the CRF and while the amounts form part of the balance of the special account, they are not included in the balance for the purposes of disclosing in Table A *Special Accounts*, they are disclosed in Table B *Special Accounts Investment of Public Money*.

#### 120.10
Agencies that invest amounts that form part of the balance of a special account must include an overview of the investment policy used.

#### 120.11
Agencies that have special accounts that have not been used during the current year and comparative year, regardless of whether they have nil or positive balances, may make the following disclosures in the notes to the financial statements instead of preparing Tables A and B:

(a) the special account’s title;
(b) whether the account is departmental, administered or special public money in nature;
(c) the purpose of the special accounts;
(d) the authority under which the special account was established;
(e) a statement noting the special account has not been used during the current year and comparative year; and
(f) the special account’s balance.

120.12 Where investments are made under an Act of Parliament other than section 39 of the FMA Act, the same format as Table B in section 120.8 should be followed. The name of the relevant Act and section under which the investment is made must be noted.

120.13 Agencies must report money subject to trust law that form part of the balance of a special account adjacent to the special account disclosure.

120.14 Special accounts that have been determined as business operations pursuant to section 5A of the Financial Management and Accountability Regulations 1997 are required to comply with section 7.1 of this schedule and prepare separate financial statements.

**POLICY**

**Special Accounts Generally**

120.51P All special accounts that existed in either the current year or comparative year, regardless of whether they have been abolished must be reported consistent with this schedule.

120.52P Each special account must be classified as one or more of the following:

(a) departmental;
(b) administered; or
(c) special public money.

120.53P Administered special accounts are included as a subset of the FMA Act agency’s administered disclosures.

**Accounting Arrangements**

120.54P Agencies must account for each special account separately and track the authority to draw money for the specified purpose(s).

120.55P The following information must also be recorded for special accounts within Table A:

(a) In the heading information, agencies must indicate:
   (i) whether the account is departmental, administered or special public money in nature;
   (ii) the purpose of the special account; and
   (iii) the authority under which the special account was established.
Where the status of a special account has changed during the year, such that the account has been established, varied, revoked or abolished, the nature and date of effect of each change must be included in the heading information. Where the nature of these changes is significant, consideration must be given as to whether two disclosure tables should be prepared for the before and after periods to present the information in a true and fair manner.

Current year *Appropriation Acts* are to be reported as an aggregate figure in the special account table and the total amount transferred should reconcile to the relevant appropriation tables required by *Division 104* of this schedule;

(a) Major classes are as per the primary statements in Annexure A.
    Additional disclosure is required as follows:
    (i) Each major class of Other receipts and Payments made;
    (ii) Where legislation directly increases a special account with amounts, this table must include a line Amounts credited under the (full name of) Act; and
    (iii) Where interest is received by a special account this table must include a line - Interest received.

**Special Account Disclosures**

The following additional information must be recorded for Table B Special Account Investment of Public Money:

(a) If a delegation has been made under *section 39 of the FMA Act* to the CEO of the agency in respect of the special account, and that delegation has been used, the agency must disclose the aggregate of all those transactions in this table;

(b) Where an agency has not used *section 39 of the FMA Act* in respect of the special account, that agency may make the following statement in place of disclosing this table: For the periods 2008-09 and 2009-10, [agency] has not used *section 39 of the FMA Act* in respect of this special account; and

(c) This table must reflect investments made under *section 39 of the FMA Act* by the agency in respect of this special account.

As required by *section 120.6* and *section 120.7*, special account disclosures are to be made on a cash basis. In some circumstances, non-cash transactions will be required to be included in order to reflect the correct balance of investments of public money in Table B. This would include capital gains and losses on investments where applicable.

If Other Receipts relating to special accounts as outlined in the tables include material receipts from other governments (e.g. state or local), separate disclosures must be made for these receipts.

Amounts reported under Other in the special account tables could include adjustments which might be amounts drawn from the special account for the purpose of correcting errors. Adjustments should not be reported as a separate line in Table A.
**Assets held in Trust**

120.62P Assets held in trust as defined in Division 38 that form part of the balance of a special account must also be reported in compliance with section 38.56P.

**GUIDANCE**

**Special Accounts Generally**

120.71G Special accounts provide separation, transparency and accountability for specific programs, business activities, or regulatory operations.

120.72G Special accounts are established in either of two ways:

(a) through a written determination of the Finance Minister under section 20 of the FMA Act; or

(b) by an Act of Parliament as recognised in section 21 of the FMA Act.

120.73G Sections 20 and 21 of the FMA Act provide a standing appropriation for expenditure for the purposes of a special account up to the balance of the special account.

120.74G The relevant determination made by the Finance Minister or enabling legislation specifies what kinds of amounts may increase or decrease the balance of a particular special account.

120.75G Under subsection 32A(1) of the FMA Act, an increase or decrease to the balance of a special account takes effect at the time an entry connected with the increase or decrease is made in the accounts and records of the agency.

120.76G A special account is an appropriation mechanism that notionally sets aside an amount within the CRF to be expended for specific purposes. The appropriation authority is section 20 or 21 of the FMA Act. Special accounts are not entities, are not bank accounts (but may include money in a bank account), and do not require independent financial reporting (except where designated as a business operation or specifically required by enabling legislation).

**Reporting Special Accounts**

120.77G The reporting of a special account is an essential part of acquitting responsibility for public money. Sections 81 and 83 of the Constitution and various provisions of the FMA Act require responsibility for and accountability over public money.

**Comcare Receipts**

120.78G Finance Circular 2006/10 Appropriation Arrangements for Employee Compensation Payments provides detailed guidance on the management of money related to Comcare payments.
**Investment Policies**

120.79G An investment policy overview required by section 120.10 may include some or all of the following amongst others:
   
   (a) investment powers;
   (b) risk profile; and
   (c) length of investment.

**Unidentified Receipts**

120.80G Unidentified receipts, including money found on Australian Government premises, should not be recorded against a special account as assets held in trust. Entities should refer to section 38.72G for guidance.

**Indigenous Employment Special Account**

120.81G For reporting requirements for agencies involved with the Indigenous Employment Special Account, refer to FinanceBrief 33.
### 121 Reporting of Outcomes

121.1 Entities in the GGS must disclose outcomes related to departmental and administered items in accordance with this schedule. Entities that are not in the GGS must disclose total revenue from activities subject to cost recovery.

121.2 GGS entities must report the information contained in Table A *Net Cost of Outcome Delivery* as follows:

- **(a)** Table A must include information on:
  1. the net cost of delivery, by outcome;
  2. payments to *CAC Act* bodies;
  3. total of (i) and (ii); and
  4. the following mandatory line items in the sequence listed below, if applicable:

<table>
<thead>
<tr>
<th>(A) Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Administered</td>
<td></td>
</tr>
<tr>
<td>(ii) Departmental</td>
<td></td>
</tr>
<tr>
<td>(iii) Total</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(B) Income from non-government sector</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Administered</td>
<td></td>
</tr>
<tr>
<td>a. Activities subject to cost recovery</td>
<td></td>
</tr>
<tr>
<td>b. Other</td>
<td></td>
</tr>
<tr>
<td>c. Total administered</td>
<td></td>
</tr>
<tr>
<td>(ii) Departmental</td>
<td></td>
</tr>
<tr>
<td>a. Activities subject to cost recovery</td>
<td></td>
</tr>
<tr>
<td>b. Other</td>
<td></td>
</tr>
<tr>
<td>c. Total departmental</td>
<td></td>
</tr>
<tr>
<td>(iii) Total income from non government sector</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(C) Other own-source income</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Administered</td>
<td></td>
</tr>
<tr>
<td>(ii) Departmental</td>
<td></td>
</tr>
<tr>
<td>(iii) Total other external income</td>
<td></td>
</tr>
</tbody>
</table>

| (D) Net cost/(contribution) of outcome delivery |          |
121.3 GGS entities must report the information in Table B *Major Classes of Departmental Expenses, Income, Assets and Liabilities by Outcomes* as follows:

(a) Table B must include information on:

(i) expenses and income, by outcome and total;

(ii) assets and liabilities, by outcome, with the exception of assets and liabilities that are not reliably attributable to outcomes, which must be disclosed as not attributed, and total; and

(iii) the following mandatory line items in the sequence listed below, if applicable:

<table>
<thead>
<tr>
<th></th>
<th>Departmental expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A)</td>
<td>Show each relevant major class</td>
</tr>
<tr>
<td>(i)</td>
<td>Total departmental expenses</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Departmental income</th>
</tr>
</thead>
<tbody>
<tr>
<td>(B)</td>
<td>User charges</td>
</tr>
<tr>
<td>(i)</td>
<td>Income from government</td>
</tr>
<tr>
<td>(ii)</td>
<td>Total departmental income</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Departmental assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>(C)</td>
<td>Show each relevant major class</td>
</tr>
<tr>
<td>(i)</td>
<td>Total departmental assets</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Departmental liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>(D)</td>
<td>Show each relevant major class</td>
</tr>
<tr>
<td>(i)</td>
<td>Total departmental liabilities</td>
</tr>
</tbody>
</table>
GGS entities must report the information contained in Table C *Major Classes of Administered Income, Expenses, Assets and Liabilities by Outcome* as follows:

(a) Table C must include information on:

(i) expenses and income, by outcome and total;

(ii) assets and liabilities, by outcome, with the exception of assets and liabilities that are not reliably attributable to outcomes, which must be disclosed as not attributable, and total; and

(iii) the following mandatory line items in the sequence listed below, if applicable:

<table>
<thead>
<tr>
<th></th>
<th>Administered expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Show each relevant major class</td>
</tr>
<tr>
<td>(ii)</td>
<td>Total administered expenses</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Administered income</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Show each relevant major class</td>
</tr>
<tr>
<td>(ii)</td>
<td>Total administered income</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Administered assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Show each relevant major class</td>
</tr>
<tr>
<td>(ii)</td>
<td>Total administered assets</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Administered liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Show each relevant major class</td>
</tr>
<tr>
<td>(ii)</td>
<td>Total administered liabilities</td>
</tr>
</tbody>
</table>

Entities must attribute shared items using a basis that most accurately allocates the total cost, income, asset or liability to each outcome. If this basis differs from that used in preparing the Budget, additional disclosure must be included to explain the variation.

The attribution method used to apportion shared items must be reliable and must be disclosed in general terms in the text accompanying the Tables.

Where an outcome changes during the year, entities must:

(a) match the changed outcome to accord with the adjusted outcome arrangements approved through the portfolio additional estimates process and published in an *Appropriation Act*;

(b) apportion the income and expenses disclosed between the new and former outcomes, so that entities report against the original outcomes up to the date of the change and against the revised outcomes after that date; and
(c) report the assets and liabilities disclosed against the former outcomes as at the date of the change, and the new outcomes as at 30 June.

121.8 Outcomes are to be as specified in the Appropriation Acts and other applicable documentation relevant to the entity.

121.9 The amount in the total column for departmental and administered expenses in Table A Net Cost of Outcome Delivery must agree to the corresponding total in the entity’s statement of comprehensive income or schedule of administered items, respectively.

121.10 Entities must disclose the nature of other external income in Table A Net Cost of Outcome Delivery by major class. Where these include intra- or inter-Government charges, such charges must be shown separately.

121.11 The amount in the total column for departmental expenses, income, assets and liabilities in Table B Major Classes of Departmental Expenses, Income, Assets and Liabilities by Outcomes must agree to the corresponding total in the entity’s statement of comprehensive income and balance sheet respectively.

121.12 The amount in the total column for each item in Table C Major Classes of Administered Expenses, Income, Assets and Liabilities by Outcomes must agree to the corresponding line item in the agency’s schedule of administered items.

**POLICY**

**Outcomes Tables**

121.51P Entities must state, in footnotes to the relevant tables, 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.

121.52P From 2009-10, entities shall disclose both departmental income and expenses and departmental assets and liabilities (to the extent that assets and liabilities are reliably attributable) at outcome level. Agencies may choose to report some or all of this information at a lower level, but are not required to do so.

121.53P Outcomes must be presented as follows:

(a) The column and row headings in Tables B and C may be varied, as necessary, but only in a manner consistent with the intended meaning;

(b) The major classes disclosed in Tables B and C must match the major classes applicable to the disclosing entity;

(c) Entities with only one outcome may choose to omit preparing Table B and C, but are still required to prepare Table A;

(d) The allocation of appropriations must use a method that is
reliable, i.e. systematic, rational and able to produce comparable data over time;

(e) All tables relating to outcomes may be presented in either portrait or landscape form; and

(f) If an entity has a complex performance reporting framework, Table B 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, funding sources, assets and liabilities across the top with totals inserted after expenses.

121.54P Departmental and administered items in Table A must be combined to show the total cost of delivering (or contribution of) outcomes. Additionally:

(a) Table B is designed to meet the disclosure requirements in AASB 1052 para. 15 and 16; and

(b) Table C is designed to meet the disclosure requirements in AASB 1050 para. 7.

**GUIDANCE**

**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.

**Activities Subject to Cost Recovery**

121.72G The line items ‘Activities subject to cost recovery’ in Table A refer to total receipts from cost recovery activities that are subject to the Australian Government's Cost Recovery Guidelines. Details on the Australian Government’s cost recovery policy are contained in Finance Circular 2005/09 Australian Government Cost Recovery Guidelines and more comprehensively in Financial Management Guidance No. 4, Australian Government Cost Recovery Guidelines. Certain arrangements are excluded from the cost recovery policy; these include but are not limited to, intra/inter government charging, charges by GBEs and general taxation. Refer to the Cost Recovery Guidelines for a complete list of excluded activities.

**GGS**

121.73G The primary function of the GGS is to provide public services, which are mainly non-market in nature, and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies, although user charging and external funding have increased in recent years.
**Outcomes Tables**

121.74G The information provided in the tables assists users in assessing the impact of an entity’s activities on the Budget and on taxpayers. Consequently, additional information may be produced which would assist users or increase transparency.

121.75G AASB 1050 and AASB 1052 use the term activities which will generally equate to the term outcomes for departmental and administered items.

121.76G Prior to 2009-10, entities were required to disclose departmental income and expenses at output level and departmental assets and liabilities at outcome level. Section 121.52P ensures consistency of outcomes reporting by requiring entities to disclose both departmental income and expenses and departmental assets and liabilities at outcome level (program level reporting is required in the Resource Table in the Annual Report, but outside the financial statements).

121.77G Payments to CAC Act bodies are not related to the paying agency’s outcomes and are therefore not allocated. They must, however, be included in the disclosures for completeness.

121.78G 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 can not be reliably attributed is, however, a matter for each entity to determine.

121.79G Administered income does not include administered appropriations.

121.80G For further information on cost recovery, entities should email the Charging Policy Team at finframework@finance.gov.au.
122 Compensation and Debt Relief in Special Circumstances

122.1 The financial statements must include a note showing departmental and administered expenses and/or liabilities including nil and immaterial balances, as relevant to the agency, in relation to each of the following:

(a) Act of Grace payments made under subsection 33(1) of the FMA Act 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 subsection 34(1) of the FMA Act; 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.

122.2 The note must disclose:

(a) the number of cases and total amount expensed during the reporting period under each of these mechanisms specified. Where any of the Act of Grace cases expensed during the reporting period include periodical payments for specified periods (paragraph 33(1)(b) of the FMA Act refers), the note must separately identify the number of such cases and the total amount expensed in relation to those cases. In addition, the number of cases and total amount expensed must be disclosed by operation for Tactical Payments Scheme payments.

(b) the number and aggregate present value amount of those cases relating to any provisions at the end of the reporting period under each of these mechanisms specified. This requirement is particularly relevant where cases under the Act of Grace mechanism include periodical payments for specified periods past the reporting date, but may also apply to any of the other mechanisms in particular circumstances.

(c) 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

Waivers of Amounts Owing

122.71G Waivers may be made by the Finance Minister (or delegate) pursuant to paragraph 34(1)(a) of the FMA Act or by delegated officers pursuant to other legislative provisions.

122.72G Waivers of amounts owing may be made for various reasons but are most commonly approved in circumstances where the payment of debt would be inequitable to the individual or entity concerned, or the claimant is suffering financial hardship. Once an amount owing is waived, it is no longer recoverable by law. It should be noted that providing for or writing off amounts in an accounting sense does not constitute a legal waiver. Unless there is a legal waiver, debts are still legally collectable and subject to section 47 of the FMA Act.

Scheme for Compensation for Detriment caused by Defective Administration (CDDA Scheme)

122.73G CDDA Scheme payments may be approved by Ministers (or officers authorised by Ministers) under an administrative scheme, which was introduced in 1995.

122.74G The CDDA Scheme provides each Minister with a discretionary authority to compensate persons who have suffered detriment due to the defective actions, or inactions, of agencies within the particular Minister’s portfolio, and where the claimant has no legal or statutory right of redress, such as a legal claim against the Australian Government.

Ex-gratia Payments

122.75G Ex-gratia payment programs may be approved by the Prime Minister and/or Cabinet, based on the Government’s executive powers under the Constitution.

122.76G The policy and guidelines established for each ex gratia program provide the circumstances under which payments can be made, and the authority for making individual payments under the program, subject to a decision by the Prime Minister or Cabinet to make payments.

Payments in Special Circumstances under section 73 of the PS Act

122.77G Section 73 of the PS Act allows the Prime Minister as the Public Service Minister to authorise the making of payments to a person in special circumstances that relate to, or arise out of:

(a) the payee's employment in the Commonwealth; or
(b) another person's employment in the Commonwealth.

122.78G The Prime Minister has delegated to Agency Heads his power to authorise the making of payments under section 73 of the PS Act. It is important to note however, that agency heads can only exercise this power personally. The power cannot be sub-delegated.

122.79G The arrangements under the PS Act are consistent with (and in many
respects, parallel to) the Act of Grace provisions of the *FMA Act*, except that they specifically relate to APS employment and authorisations are limited to $100,000. Accordingly, payments in special circumstances relating to APS employment may be authorised by the Public Service Minister (or delegate), even though the payments would not be authorised by law or required to meet a legal liability.

122.80G Additional information on APS employment payments in special circumstances can be found in the *Australian Public Service Commission’s Circular 2003/1: Payments in special circumstances - Section 73 of the PS Act 1999* and *PS Act Advice No. 30 Payments in special circumstances*.

**Further Information**

122.81G Further information on the various means of compensation and debt relief can be found in *Finance Circular 2009/09 Discretionary Compensation and Waiver of Debt Mechanisms*. 
123 Competitive Neutrality

123.1 Entities that are required to make CN payments under the Commonwealth Competitive Neutrality Policy Statement – June 1996, must explain and separately disclose the amount of each of the following:

(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.

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.

123.52P Where there is no TER, the entity can seek formal approval from the Portfolio Minister to adopt a suitable tax treatment.

123.53P 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. Similarly, debt neutrality expense forms part of finance costs in the statement of comprehensive income and is disclosed separately in the finance costs note.

GUIDANCE

123.71G Portfolio Ministers are required to ensure that all significant government business activities within their portfolio comply with established CN requirements. This includes the TERs.

123.72G CN requires that government business activities do not have net competitive advantages over their private sector competitors as a result of their public ownership. CN arrangements are implemented to ensure that resources available for public expenditure are used in the most efficient manner possible. Employment of CN arrangements will also improve transparency and accountability by presenting costs in a comparable manner to those of the private sector.

123.73G CN payments are also disclosed as a note to the net cost of outcome table.

123.74G In general, CN arrangements specifically apply to:
(a) all GBEs and their subsidiaries;
(b) Commonwealth companies;
(c) Commonwealth business operations;
(d) bids by all Commonwealth Government in-house units for competitive tendering and contracting (CTC) contracts:
   - CTC units with turnover under $10 million still have to earn commercial returns, but may incur other CN costs on a notional basis;
(e) government business activities not in the above categories that are undertaken within (non-GBE) statutory authorities or departments with commercial turnover of at least $10 million per annum:
   - government business activities with turnovers under $10 million will not initially be subject to the CN implementation arrangements, but particular activities may be subject to CN following complaints to the Commonwealth Competitive Neutrality Complaints Office. (These activities may choose to apply CN, on the same basis as applies to CTC activities under $10 million, in order to prevent complaints); and
(f) all future government business activities meeting the above criteria.

123.75G For further guidance on CN and TERs, refer to the information on CN on the Department of the Treasury and Finance websites or email finframework@finance.gov.au.
ANNEXURE A – FORMS OF FINANCIAL STATEMENTS

Introduction
A.1 The Forms of Financial Statements (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 Schedule 1 and the AAS and associated authoritative requirements. The Forms have been designed to meet common disclosure requirements of agencies and authorities respectively and therefore do not address all disclosure requirements.

Application
A.2 Australian Government entities are required to present all disclosures necessary to give a true and fair view of their results and financial position. Entities are permitted:
   (a) to include further disclosures as they deem appropriate to meet their stakeholders’ information needs and be reflective of their operations including those that are required by AAS addressed in A.3 as applicable;
   (b) not to include components of the Forms that are not relevant to their operations or where no activity in either the current or previous financial year has taken place;
   (c) to alter or amend the numbering of notes but not their sequencing within the presentation of the financial statements as set out within the Forms except where amendments permitted under (a), and (b) above require such components of the Forms to be inserted, deleted or added, and to ensure the contextual and logical flow of information for stakeholders;
   (d) to aggregate line items that are not significant in understanding the entity’s operations; 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, so that it appropriately discloses the entity’s accounting policies.

A.3 Entities should be aware that disclosure requirements for the following Standards, legislation and reporting requirements have not been incorporated into the Forms and where relevant must be included in the financial statements of the entity.

Standards, legislation and reporting requirements not addressed include:
   • Corporations Act 2001
   • AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards
   • AASB 2 Share-based payment
   • AASB 3 Business Combinations
   • AASB 4 Insurance Contracts
• AASB 6 Exploration for and Evaluation of Mineral Resources
• AASB 8 Operating Segments
• AASB 111 Construction Contracts
• AASB 112 Income Taxes with respect to tax effect accounting
• AASB 119 Employee Benefits with respect to defined benefit post employment fund disclosures
• AASB 120 Accounting for Government Grants and Disclosure of Government Assistance
• AASB 124 Related Party Disclosures
• AASB 127 Consolidated and Separate Financial Statements
• AASB 129 Financial Reporting in Hyperinflationary Economies
• AASB 133 Earnings per Share
• AASB 134 Interim Financial Reporting
• AASB 139 Financial Instruments: Recognition and Measurement with respect to hedge accounting
• AASB 141 Agriculture
• AASB 1023 General Insurance Contracts
• AASB 1038 Life Insurance Contracts
• AASB 1039 Concise Financial Reports
• AASB 1049 Whole of Government and General Government Sector Reporting
• AASB 1051 Land Under Roads
• AASB 25 Financial Reporting by Superannuation Plans

This listing is not exhaustive. Compliance with these additional disclosures and AASB interpretations is required where appropriate to present a true and fair view.

Inclusions here:
Forms of Financial Statements for:
• Not-for-Profit FMA and CAC; and
• For-Profit