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 2012

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

OVERVIEW

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

Part A comprises the following divisions:

- Division 1 Legislative Authority - outlines the authority of this schedule under the FMA Act, CAC Act and the relevant legislation for those entities who are not subject to either Act, for whom it is appropriate to prepare financial statements in accordance with the FMOs and the period to which this schedule applies;

- Division 2 Content, Philosophy and Structure - describes the content, philosophy and structure of this schedule, including the purpose, the prescriptive/non-prescriptive nature of information presented as black letter legislation, policy and guidance. The division also describes the numbering convention used in this schedule; and

- Division 3 Further Information - provides further references relating to financial reporting requirements for Australian Government entities.

1  Legislative Authority

1.1  The Finance Minister makes the Finance Minister’s Orders (Financial Statements for reporting periods ending on or after 1 July 2011) under the relevant provisions as set out below:

(a)  subsection 63(1) of the Financial Management and Accountability Act 1997 in relation to how financial statements must be prepared by agencies;

(b)  subsection 48(1) of the Commonwealth Authorities and Companies Act 1997 in relation to how financial statements must be prepared by authorities;

(c)  subsection 47(1) of the High Court of Australia Act 1979 in relation to how financial statements must be prepared by the High Court of Australia;

(d)  subsection 193H(1) of the Aboriginal and Torres Strait Islander Act 2005 in relation to how the accounts and financial statements must be prepared for the Land Account;
(e) subsection 50B(4) of the *Defence Service Homes Act 1918* in relation to how financial statements must be prepared by the Defence Service Homes Corporation; and

(f) subsection 43(3) of the *Natural Heritage Trust of Australia Act 1997* in relation to how financial statements must be prepared for the Natural Heritage Trust of Australia Account.

1.2 These Orders apply to:
   (a) all reporting entities covered by section 49 of the *FMA Act*;
   (b) all reporting entities covered by clause 2 of Schedule 1 to the *CAC Act*; and
   (c) certain Commonwealth bodies that are not subject to either Act, for whom it is appropriate to report on a consistent basis to those entities covered by (a) and (b).

1.3 These Orders form part of the financial reporting framework for Australian Government entities. Elements and requirements of the framework are set out in Division 8.

1.4 Where a choice of accounting policy is required to be made that is not covered by these Orders, and an accounting treatment that is consistent with GFS is available, that treatment must be applied.

**GUIDANCE**

**Finance Minister’s Orders**

1.71G The purpose of having standard requirements for Government entities is to achieve uniformity in financial reporting and to assist in the preparation of the Australian Government’s consolidated financial statements as required under *FMA Act* section 55.

1.72G Further information can be found in the Finance Minister’s Orders User Guide.
2 Content, Philosophy and Structure

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

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

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

2.71G Finance publishes this document, which includes Schedule 1 of the Orders referred to in section 1.1 and related policy and guidance.

2.72G The bold black text in this document is a reproduction of Schedule 1 of the Orders (in this document, it is referred to as the ‘black letter’), which:

(a) are mandatory principles, bases or rules made by the Finance Minister for preparing and presenting general purpose financial reports of Australian Government entities;

(b) clarify accounting treatments in AAS, other authoritative pronouncements of the AASB or legislation with whole-of-Government application; and/or

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

2.73G Additional materials not forming part of the Orders are also published in this document. They consist of:

(a) policies that are prescriptive principles, bases or rules that support the Orders. These are mandatory; and

(b) guidance which are intended to assist in interpreting the black letter and policy.

2.74G Policy sections have section numbers with the letter P suffix. For example, section 6.51P.

2.75G Guidance sections have section numbers with the letter G suffix. For example, section 2.72G.

PRIMA documents

2.76G The PRIMA Forms are policy, and therefore are mandatory, subject to Part K.

2.77G The PRIMA Illustrative and Templates are guidance.
3  Further Information

GUIDANCE

3.71G  For the latest legislation, policy and guidance releases for financial reporting by Australian Government entities and additional information to that listed below, refer to www.finance.gov.au.

3.72G  Additional references include:

- Accounting Guidance Notes;
- AAS issued by the AASB;
- AASB Interpretations;
- AASB Framework for the Preparation and Presentation of Financial Statements;
- Statements of Accounting Concepts (SACs);
- FinanceBriefs;
- Finance Circulars;
- Finance Minister’s Orders User Guide;
- Financial Management Guidance;
- Estimates Memoranda;
- PMA Act;
- Financial Management and Accountability Regulations 1997;
- CAC Act;
- Commonwealth Authorities and Companies Regulations 1997;
- Corporations Act 2001;
Part B DEFINITIONS AND ABBREVIATIONS

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

4 Definitions

Administrative Arrangements Order (AAO)
The AAO, issued from time to time by the Governor-General, establishes the matters to be dealt with by each Department of State, and the Acts of Parliament to be administered by each Minister.

Administered Investments
Administered investment is defined for the purpose of this schedule as an interest by the Australian Government in a subsidiary, associate or jointly controlled operation or entity that is disclosed in the financial statements of an agency on behalf of the Australian Government.

Administered
Those items that an agency does not control but over which it has management responsibility on behalf of the Government and which are subject to prescriptive rules or conditions established by legislation, or Australian Government policy, in order to achieve Australian Government outcomes. Refer to Division 15 for further information.

Agency
As defined in FMA Act section 5.

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

Appropriations for payment to CAC Act bodies
Same meaning as ‘CAC Act body payment item’ in Appropriation Acts 1-6.

Australian Accounting Standards (AAS)
AAS released by the AASB.

Australian Government
All bodies that comprise the public sector at the national level. This includes the Commonwealth, office holders, statutory corporations and their subsidiaries.
Authority
A Commonwealth authority as defined in CAC Act section 7. Also referred to in this schedule as a CAC Act entity, authority or body.

Business Operation/s
A function or functions within an agency that have been determined to be a business operation pursuant to FMA Regs section 5A. Schedule 1 of the Determination of Business Operations under Financial Management and Accountability Regulations 1997 lists activities that must be treated as business operations.

Collection Institutions
Comprise the following entities:
(a) Australian Institute of Aboriginal and Torres Strait Islander Studies;
(b) Australian National Maritime Museum;
(c) Australian War Memorial;
(d) National Archives of Australia;
(e) National Film and Sound Archive;
(f) National Gallery of Australia;
(g) National Library of Australia;
(h) National Museum of Australia; and
(i) Old Parliament House.

Commitments
Commitments:
(a) are intentions to create liabilities or assets for the receiving entity, as evidenced by undertakings or agreements to make/obtain future payments to/from other entities; and
(b) are executory contracts that are not recognised under AASB 137 Provisions, Contingent Liabilities and Contingent Assets (i.e., not onerous); but
(c) do not include future year appropriations.

Commonwealth
The legal entity of the Commonwealth of Australia, created by the Australian Constitution.

Concessional Loan
A loan provided on more favourable terms than the borrower could obtain in the market place. The concession provided may be in the form of lower than market interest rates, longer loan maturity or grace periods before the payment of the principal or interest.
| **Consolidated Financial Statements (CFS)** | The CFS for the Australian Government are the annual, end-of-year financial statements prepared under *FMA Act section 55* and in accordance with AAS. The CFS present the consolidated results for the Australian Government as well as disaggregated information on the various sectors of government (GGS, PNFCs and PFCs). |
| Departmental | Those items that the entity controls that are applied to the production of the entity’s own purposes. Refer to *Division 15* for further information. |
| Departmental supplementation | Supplementation for work agencies were directed by government to undertake in a financial year but after the last date for inclusion in the last set of appropriation Bills prepared for the financial year. Agencies are expected to meet the cost of these activities from their existing appropriations, which will then be replenished by a departmental appropriation in the following financial year. |
| Employee | 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*) |
| Entity | Refers to: (a) an agency; (b) an authority; (c) an economic entity - comprising the agency or authority and its subsidiaries; and (d) each activity or activities of an agency which is/are determined to be a business operation. For the purpose of this schedule, Commonwealth Companies incorporated under the *Corporations Act 2001* do not fall under this definition except to the extent that they form part of an economic entity referred to above. |
Finance Chief Secretary of the Department of Finance and Deregulation.

Finance Minister Minister for Finance and Deregulation.

Financial Report/Statements

Comprises:
(a) the primary financial statements, schedules and notes required by this schedule; and
(b) other certificates, reports and notes which are:
   (i) prepared in relation to the agency or authority (where the agency or authority is a parent entity, the economic entity comprising the agency or authority and its subsidiaries); and
   (ii) attached to or intended to be read with the statements and notes in (a);
but not including the:
   (i) auditor’s report;
   (ii) annual report; or
   (iii) additional supplementary information that is not audited.

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.

General Government Sector Institutional sector comprising all government units and non-profit institutions controlled and mainly financed by government. (Australian System of Government Finance Statistics)

Government Business Enterprises A Commonwealth authority or Commonwealth company that is prescribed as a GBE 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, either by money or goods/services. Grants can take the form of money, property or technical assistance and subsidies. (See also AASB 120 para. 3 and the Australian System of Government Finance Statistics)
<table>
<thead>
<tr>
<th><strong>Heritage and Cultural Assets</strong></th>
<th>Assets that are:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) used for the community’s benefit;</td>
<td></td>
</tr>
<tr>
<td>(b) represent, in part, Australia’s cultural and historic background; and</td>
<td></td>
</tr>
<tr>
<td>(c) are primarily used for purposes that relate to their cultural, environmental or historical significance.</td>
<td></td>
</tr>
</tbody>
</table>

Heritage and cultural assets do not include structures constructed to assist with the display, transport or storage of the item, unless the structure has such heritage value in its own right or is an integral part of the asset.

| **Indefinite Useful Life** | Where there is no foreseeable end to the period over which future economic benefits are expected to be generated by the asset for the entity. This does not mean the asset has an infinite useful life, but that the entity has the ability and intention to maintain the asset indefinitely in close approximation to its present state. |

| **Outcomes** | The results, impacts or consequences of actions by the Australian Government on the Australian community that the Government wishes to achieve. For reporting purposes outcomes equate to major activities in AASB 1052. |

| **Outsider** | Any person other than the Commonwealth, an official or a Minister. |

*FMA Act section 12 (3)*

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<tr>
<th><strong>Own-Source Income</strong></th>
<th>Consists of all income except:</th>
</tr>
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<tr>
<td>(a) annual appropriations;</td>
<td></td>
</tr>
<tr>
<td>(b) special appropriations; and</td>
<td></td>
</tr>
<tr>
<td>(c) amounts appropriated to the relevant portfolio agency for payment to the CAC Act authority (CAC Act body payment item).</td>
<td></td>
</tr>
</tbody>
</table>

It includes *FMA Act section 31* relevant agency receipts and is adjusted for any repayments made under *FMA Act section 28*.

<p>| <strong>Performance Guarantee</strong> | 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. |</p>
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>Personal Benefit Payments</td>
<td>Current transfers for the benefit of individuals or households (for example, child care and family tax benefits), directly or indirectly, that do not require any economic benefit to flow back to Government.</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>Public Financial Corporations</td>
<td>As defined in the <em>Australian System of Government Finance Statistics</em>. These entities are listed in the flipchart of <em>FMA Act Agencies / CAC Act Bodies</em> or List of Australian Government Bodies and Governance Relationships as at 1 October 2009 available from Finance’s website.</td>
</tr>
<tr>
<td>Public Non-Financial Corporations</td>
<td>As defined in the <em>Australian System of Government Finance Statistics</em>. These entities are listed in the flipchart of <em>FMA Act Agencies / CAC Act Bodies</em> or List of Australian Government Bodies and Governance Relationships as at 1 October 2009 available from Finance’s website.</td>
</tr>
<tr>
<td>Public Money</td>
<td>As defined in <em>FMA Act section 5</em>.</td>
</tr>
<tr>
<td>Recoverable GST exclusive</td>
<td>Refer to Division 104 and Division 120.</td>
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<td>Resources Received</td>
<td>Goods or services received for no or nominal consideration that would otherwise have been purchased and can be reliably measured.</td>
</tr>
<tr>
<td>Responsible entity</td>
<td>The entity named in the relevant legislation or if not named, the portfolio department, unless determined otherwise by the relevant Minister.</td>
</tr>
<tr>
<td>Special Public Money</td>
<td>As defined in <em>FMA Act section 16</em>.</td>
</tr>
<tr>
<td>Standard Parameters</td>
<td>A document containing specified rates and amounts to be used by an entity in the preparation of their financial statements. It is available from Finance’s website.</td>
</tr>
<tr>
<td>Statutory charges</td>
<td>Non-reciprocal charges imposed by Government.</td>
</tr>
<tr>
<td>Subsidies</td>
<td>As defined in the <em>Australian System of Government Finance Statistics</em>.</td>
</tr>
</tbody>
</table>
Transfer Payments  Payments that an entity does not control, but is responsible for transferring to eligible recipients (under legislation or some other authority). Transfer payments may include:

(a) personal benefit payments such as:
   (i) unemployment benefits;
   (ii) family allowances; and
   (iii) age and invalid pensions;
(b) disaster relief; and
(c) grants and subsidies made to other entities.

**POLICY**

**AASB glossary**

4.51P Subject to key terms defined under this division, all other key terms have the same definition as specified in ‘AASB Glossary of Defined Terms’ issued by the AASB as updated from time to time.
5 Abbreviations

AAO Administrative Arrangements Order

AAS *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

AFM Advance to the Finance Minister

ANAO Australian National Audit Office

APS Australian Public Sector (or Service)

ATO Australian Taxation Office

Aus Paragraphs in the AAS or AASB Interpretations that do not appear in the text of the IASB Framework or Standards are identified with the prefix Aus, followed by the number of the relevant AASB paragraph

CAC Act The *Commonwealth Authorities and Companies Act 1997*

CFO Chief Financial Officer or Chief Finance Officer

CN Competitive Neutrality

CRF Consolidated Revenue Fund

CSS *Commonwealth Superannuation Scheme*

Finance Department of Finance and Deregulation

FMA Act The *Financial Management and Accountability Act 1997*

FMA The *Financial Management and Accountability Regulations 1997*
The Finance Minister’s Orders (Financial Statements for reporting periods ending on or after 1 July 2011) made by the Finance Minister under the relevant provisions as set out below:

(a) subsection 63(1) of the Financial Management and Accountability Act 1997 in relation to how financial statements must be prepared by agencies;

(b) subsection 48(1) of the Commonwealth Authorities and Companies Act 1997 in relation to how financial statements must be prepared by authorities;

(c) subsection 47(1) of the High Court of Australia Act 1979 in relation to how financial statements must be prepared by the High Court of Australia;

(d) subsection 193H(1) of the Aboriginal and Torres Strait Islander Act 2005 in relation to how the accounts and financial statements must be prepared for the Land Account;

(e) subsection 50B(4) of the Defence Service Homes Act 1918 in relation to how financial statements must be prepared by the Defence Service Homes Corporation; and

(f) subsection 43(3) of the Natural Heritage Trust of Australia Act 1997 in relation to how financial statements must be prepared for the Natural Heritage Trust of Australia Account.

FTE  Full-time Equivalent

FVTPL  Fair Value Through Profit and Loss

GBE  Government Business Enterprise


GGS  General Government Sector

LSL  Long Service Leave

MSBS  Military Superannuation and Benefits Scheme
<table>
<thead>
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<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>OPA</td>
<td>Official Public Account</td>
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<tr>
<td>PFC</td>
<td>Public Financial Corporation</td>
</tr>
<tr>
<td>PNFC</td>
<td>Public Non-Financial Corporation</td>
</tr>
<tr>
<td>PRIMA</td>
<td>Primary Reporting and Information Management Aid</td>
</tr>
<tr>
<td>PRIMA Forms</td>
<td>PRIMA Forms of Financial Statements</td>
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<tr>
<td>PS Act</td>
<td>Public Service Act 1999</td>
</tr>
<tr>
<td>PSS</td>
<td>Public Sector Superannuation Scheme</td>
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<tr>
<td>SAC</td>
<td>Statements of Accounting Concepts issued by the AASB (or predecessor)</td>
</tr>
<tr>
<td>TER</td>
<td>Tax Equivalent Regime</td>
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</table>
Part C  APPLICATION AND PRESENTATION

OVERVIEW

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

6  Commencement

6.1  This schedule applies to:

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

6.2  These requirements replace previously published FMOs.
7 **Applicable Entities**

7.1 Financial statements must be prepared for the following:
(a) each agency and authority that it is not the parent entity in an economic entity;
(b) each economic entity, comprising the agency or authority and its subsidiaries; and
(c) each business operation.

7.2 Where an entity is the parent entity in an economic entity, it must either:
(a) prepare parent entity financial statements as well as consolidated financial statements; or
(b) disclose parent entity supplementary information as prescribed in Reg 2M.3.01 of the Corporations Regulations 2001 and section 23.26(b) in a note to the consolidated financial statements of the economic entity.

**GUIDANCE**

**Business operations**

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

7.72G 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 authoritative requirements in section 8.2, entities must apply the provisions in this schedule.

8.2 Subject to section 8.1, the financial statements of each entity must:

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

(b) have regard to:
   (i) guidance to this schedule;
   (ii) the Statements of Accounting Concepts 1 and 2 (SACs);
   (iii) the AASB Framework for the Preparation and Presentation of Financial Statements; and

GUIDANCE

Have regard to

8.71G In the context of the FMOs, the phrase ‘have regard to’ (as used in section 8.2(b)) imposes a positive obligation to consider – entities must ‘turn their minds’ to the principle. This means entities must take the principles contained in relevant documents into account, consider them and give due weight to them as a fundamental element in making the decision.

8.72G The principles contained in the relevant documents, although not set out explicitly in the FMOs, are of such importance that, if regard is not had to them, the process cannot be said to have been properly undertaken.

8.73G If entities do not apply a principle, they should be able to demonstrate, if required, that they have considered it, provided it due weight, and determined that it is not relevant to their situation. This will generally be difficult in the context of the
FMOs unless the relevant section has prescriptive aspects, for example, where the principle applies exclusively to situation A, B and C and the entity is clearly dealing with situation Z. Merely asserting that the entity has had regard to the principles will be insufficient. Entities should document their reasoning.

8.74G An unfavourable operating result (or other unfavourable accounting or budgetary outcome) is never proof that a principle doesn’t apply to an entity. Attempting to use this (or a similar) situation as justification will demonstrate that the entity has not actually had regard to the principle.

SACs and Framework for the Preparation and Presentation of Financial Statements

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

9.1 This schedule applies to both departmental and administered reporting unless otherwise specified.

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

GUIDANCE

Professional judgement

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

Applying the third balance sheet - departmental

9.72G Under AASB 101 and AASB 108, where an entity applies an accounting policy retrospectively, that entity should make a retrospective restatement of items in their financial statements or reclassify items in their financial statements. 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.

9.73G Entities only need to present a balance sheet at the beginning of the comparative period in accordance with paragraph 10(f) of AASB 101 if that balance sheet is materially affected by a retrospective restatement due to:
(a) an error;
(b) a change in accounting policy; or
(c) a reclassification of items in the financial statements.

9.74G Whenever a balance sheet at the beginning of the comparative period is required, it is to be presented in the primary financial statements, rather than the notes.

Associated note information

9.75G Associated note information is only required for line items affected by the retrospective restatement or the reclassification that necessitated presentation of that balance sheet. Where associated note information is not affected by retrospective adjustment, a third column would not be needed. Examples of this might include:
(a) those notes relating to balance sheet items that have not changed;
(b) information in notes that does not relate to the changes in balance sheet numbers, such as additional disclosures for financial instruments, insurance and superannuation commitments; and
(c) schedules of movements between opening and closing balances (i.e., those that already include comparative year disclosures) – since the comparative opening balance will “automatically” be adjusted.

Situations where a ‘third balance sheet’ is not required

9.76G Retrospective reclassifications between line items in the statement of comprehensive income or between line items in the cash flow statement, that do not result in any change to the balance sheet, do not give rise to a requirement for a ‘third balance sheet’.
**Applying the third balance sheet – administered**

9.77G There is no requirement to produce a ‘third balance sheet’ in relation to administered disclosures.

**Cross-referencing**

9.78G Each disclosure required by this schedule should be cross-referenced with other relevant notes, and/or schedules in accordance with the requirements of AAS (e.g., AASB 101 para. 113). Any other cross-referencing should be included where it provides useful additional information.
11  Early Adoption of Accounting Pronouncements

11.1 If an entity wishes to adopt an AAS or AASB Interpretation earlier than its effective date of application, other than as permitted or required by this schedule, it must seek approval from the Finance Chief Executive.

11.2 The Finance Chief Executive may instruct one or more entities to early adopt an AAS or AASB Interpretation.

GUIDANCE

11.71G Entities must seek approval for early adoption of a new AAS due to the potential effect on the preparation of the Commonwealth 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 Assessments of materiality must be performed at the level of the entity preparing the financial statements, not GGS level.

12.3 Each change in accounting policy must be disclosed separately.

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

### POLICY

**Materiality and presentation of information**

12.51P Entities must present all information necessary to ensure true and fair disclosure. In addition to the requirements of section 12.2, entities must disclose information required by the following parts of this schedule, regardless of materiality:

(a) Division 24 Remuneration of Auditors;

(b) Part I APPROPRIATIONS;

(c) Division 120 Special Accounts and FMA Act Section 39 Investments; and

(d) Division 122 Compensation and Debt Relief in Special Circumstances.

### GUIDANCE

**Materiality**

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

12.72G 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.

**Retention and maintenance of accounting records**

12.73G Proper accounting records of all transactions must be maintained in accordance with applicable legal requirements, including:

(a) *FMA Act* section 48;

(b) *CAC Act* section 20;

(c) *order 4 of the Financial Management and Accountability Orders (Financial Statements for Reporting Periods Ending on or after 1 July 2011)*;

(d) sections 9 and 12 of the *Electronic Transactions Act 1999*; and

(e) *section 24 of the Archives Act 1983*. 
13 **Rounding Off**

**General rounding rules**

13.1 Subject to the exceptions listed at sections 13.3 to 13.5, amounts in the financial statements may be rounded off as follows:

(a) to the nearest dollar;

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

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

13.2 Subject to the exceptions listed in sections 13.3 to 13.5, the rounding thresholds in section 13.1 must be applied:

(a) separately for departmental and administered reporting; and

(b) consistently within departmental and administered reporting regardless of whether rounding is different between departmental and administered disclosures.

**Exceptions**

13.3 For appropriations (Part I), special accounts (Division 120) and outcomes (Division 121) disclosures, the following rules apply:

(a) they must not be rounded to the nearest $1 million; and

(b) rounding must be consistent between departmental and administered reporting (where the application of section 13.1 results in different levels of rounding to departmental and administered reporting, the lower level of rounding must be applied).

13.4 Disclosures required by Division 23 must be rounded to the nearest dollar.

13.5 Table F disclosures, as required under Division 104, must be disclosed to the cent.
POLICY

Rounding off

13.51P The level of rounding must be prominently displayed and repeated so that a proper understanding of the information presented can be attained.

13.52P These rounding provisions apply only to the preparation of financial statements and not to supporting accounting records.

13.53P Materiality must be considered prior to rounding to ensure rounding does not affect whether or not the item is considered material.

13.54P Where the following items are disclosed as a nil balance due to rounding, that fact must be disclosed:

(a) appropriations under Part I;
(b) special accounts under Division 120; and
(c) compensation and debt relief disclosures under Division 122.
14 **Certificates**

14.1 The signed audit report on the financial statements must be attached to the financial statements.

14.2 Each authority or, where relevant, each economic entity comprising an authority and its subsidiaries’ as applicable, must present a statement signed by: the chair of the board (or a director) in accordance with a resolution of the board; the chief executive officer; and the CFO, stating:

(a) whether the financial statements, in their opinion, give a true and fair view of the matters required by this schedule;

(b) whether the financial statements, in their opinion, have been prepared based on properly maintained financial records;

(c) for entities other than the Reserve Bank of Australia, whether, in their opinion, there are, when the statement is made, reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due;

(d) when additional information is included in the notes to give a true and fair view and/or to satisfy section 16.3 as applicable, then the reasons for forming this view and the location of the additional notes in the financial statements;

(e) that the statement has been made in accordance with a resolution of the directors; and

(f) the date on which the statement is made.

14.3 Each other entity identified in section 7.1 required to prepare financial statements must include a statement signed by the chief executive officer and CFO stating:

(a) whether the financial statements, in their opinion, give a true and fair view of the matters required by this schedule;

(b) whether the financial statements, in their opinion, have been prepared based on properly maintained financial records;

(c) when additional information is included in the notes to give a true and fair view and/or to satisfy section 16.3 as applicable, then the reasons for forming this view and the location of the additional notes in the financial statements; and

(d) the date on which the statement is made.
### POLICY

**Certification**

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

### GUIDANCE

**Certification**

| 14.71G | Signed statements referred to in sections 14.2 and 14.3 are different to the certification expected from the chief executive officer of an agency under the ‘Certificate of Compliance’ or the directors of an authority in the GGS under a Compliance Report. For information on ‘Certificate of Compliance’, refer to Finance Circular 2009/06 Certificate of Compliance – FMA Act Agencies and Finance Circular 2011/06 CAC Act Compliance: Departmental Responsibilities. |
15  **Departmental and Administered: Classification and Reporting**

15.1 Subject to section 15.4, entities must distinguish between ‘departmental’ and ‘administered’ in the financial statements for all disclosures outlined in this schedule.

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

15.3 Changes must not be made to the classification of existing items without the approval of Cabinet or the Finance Minister.

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

15.5 Special public money (including money held in trust for other persons) is neither ‘departmental’ nor ‘administered’ (refer to Division 120).

15.6 Specific reporting requirements apply in relation to assets held in trust (refer to Division 38).

15.7 Unless directed by legislation, Cabinet or the Finance Minister (Division 15), authorities must not recognise monies collected on behalf of the Commonwealth as an administered revenue or an asset of the authority. The relevant agency will make the appropriate disclosures.
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.

16.4 An exemption must not be applied if it results in non-compliance with AAS.

16.5 Where an entity elects to apply any exemptions granted by the Finance Minister, information that would otherwise be obtained must be available for consolidation into the CFS.

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**GUIDANCE**

**Exemptions not applied by an entity**

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

17.1 PFCs and GBEs may apply any of the three recognition options for recognising actuarial gains and losses for defined benefit plans as outlined in AASB 119. All other entities must apply the direct to equity option of recognising actuarial gains and losses for defined benefit plans as outlined in AASB 119.

17.2 The Australian Office of Financial Management (AOFM) is excluded from the requirement to present the administered schedules and associated administered notes in the format required by Division 85 and Part K. However, AOFM must instead adhere to the statement of comprehensive income reporting requirements of AASB 101.

17.3 The Reserve Bank of Australia is not required to prepare financial statements in the format prescribed by Part K. The Reserve Bank of Australia may determine the format of the financial statements to the extent that it applies generally accepted industry reporting principles and applicable AAS.

17.4 For-profit entities or an entity that is a university may elect not to apply the requirements in sections 33.2, 33.3, 33.4 and 33.5 relating to valuation of non-financial assets.

17.5 Intelligence and security agencies, defence agencies and prescribed law enforcement agencies are exempt from making disclosures under Division 38. Section 38.54P provides guidance on related voluntary disclosures.

17.6 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*.

17.7 The Future Fund is exempt from presenting the financial statements required by this schedule and Part K, on the condition that:

(a) the Future Fund presents its financial statements as a single entity;

(b) the financial statements are presented in a format consistent with that used in the funds management industry and applying applicable AAS;

(c) the financial statements for the Future Fund contain sufficient information to ensure appropriate accountability and transparency, consistent with that applying to general purpose financial statements;
(d) the Future Fund present such additional disclosures as required in Division 23, Division 81, Part H and Part J, to the extent that they are relevant to the Future Fund’s operations; and

(e) to the extent that there is a conflict between paragraph (b) and paragraphs (c) and (d), paragraphs (c) and (d) will have precedence.

17.8 In the presentation of the financial statements required under the Aboriginal and Torres Strait Islander Act 2005, the Aboriginal and Torres Strait Islander Land Account (Land Account) is exempt from the following items in this schedule:

(a) Part G and the administered disclosures in Part K;
(b) Part I to the extent that the Land Account has no appropriation transactions and balances other than through its special account;
(c) Division 121 to the extent that the Land Account does not have any defined outcomes; and
(d) Division 122 to the extent that the Land Account has not made any payments specified in that Division.

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

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

17.11 In the presentation of the financial statements required under the Aboriginal Land Rights (Northern Territory) Act 1976, the Aboriginals Benefit Account is exempted from the items listed in section 17.8 under the same conditions imposed on the Land Account in sections 17.9 and 17.10.

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

17.13 The Australian National University (ANU) is exempt from the requirements of Division 18 and the format of the statement of comprehensive income in the Part K, on the condition that the ANU presents that statement in accordance with the Financial
Statement Guidelines for Australian Higher Education Providers required by the Department of Education, Employment and Workplace Relations to the extent those Guidelines are not inconsistent with AAS.

17.14 The Department of Defence (Defence) may exclude Star Ranked reservists not employed on a continuous full time service basis from the following disclosures:

(a) section 23.8, where their remuneration is less than the executive remuneration Table A threshold; and

(b) sections 23.14 and 23.20, where their reportable remuneration is less than the respective executive remuneration Tables B or C thresholds.

If used, this exemption must be referenced in a footnote to the disclosures.
Part D  STATEMENT OF COMPREHENSIVE INCOME (Excluding Appropriations)

OVERVIEW

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

Appropriations are addressed in Part I.

18  Statement of Comprehensive Income

18.1  Entities must present all items of income and expense recognised in a period in a single statement of comprehensive income.

18.2  Not-for-profit entities must adopt the Net Cost of Services (NCOS) format for the statement of comprehensive income as set out in Part K.

GUIDANCE

Single statement of comprehensive income

18.71G  AASB 101 requires income and expenses to be presented in:

(a)  a single statement of comprehensive income; or

(b)  two statements: a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income).

18.72G  Section 18.1 removes option (b) for Australian Government entities.
### Income (Excluding Appropriations)

#### Grants

19.1 For-profit entities must:

- (a) recognise non-monetary government grants at fair value and not at nominal amount;
- (b) present government grants related to assets as deferred income and not as a deduction to the carrying amount of the asset; and
- (c) present government grants related to income as income in the statement of comprehensive income and not deduct them from the related expense.

19.2 To the extent that receipts under the Paid Parental Leave Scheme are regarded as income, section 19.1(c) does not apply to these receipts.

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**GUIDANCE**

**Appropriation revenue**

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

**Grants**

19.72G [AASB 120](#) provides a number of options in accounting for government grants. [Section 19.1](#) removes the alternative options for for-profit entities, except in respect of Paid Parental Leave transactions.

19.73G [AASB 120](#) requires the benefit of a government loan at a below-market rate of interest to be treated as a government grant.

**Paid Parental Leave Scheme**

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

GUIDANCE

Reimbursements

20.71G Subject to section 20.72G, where an amount that has been expensed is refunded back to the entity it is appropriate to treat this amount as a reduction in the expense, unless the amount is received in a subsequent year in which case it is recorded as income. For further information see Finance Circular 2011/04 Repayments by and to the Commonwealth (Sections 28 and 30 of the FMA Act) and Finance Circular 2008/07 Relevant Agency Receipts – FMA Regulations 15 and 16.

20.72G Where an expense has been incurred by the Department of Foreign Affairs and Trade (DFAT) on behalf of another entity, and DFAT has subsequently been reimbursed by that entity, DFAT may record the reimbursement as a reduction in the applicable expense item.

Transfer of annual and long service leave entitlements

20.73G AASB 1004 para. 42(b) requires that when a payment is made or is to be made in consideration for the assumption of the liability, the receiving entity recognises the liability assumed and an increase in assets (cash or cash receivable).

20.74G Where the payment is less than the total amount of the liability for employee entitlements assumed, the receiving entity recognises an expense equal to the amount of that shortfall. Cash received in consideration for the assumption of the liability must not be recognised as revenue.
21 **Borrowing Costs**

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

**GUIDANCE**

**Borrowing costs**

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

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

GUIDANCE

Disclosure of leases
22.71G AASB 117 para. 35 requires minimum lease payments, sublease payments and contingent rents to be separately disclosed for operating leases in the notes to the financial statements.

22.72G In relation to accounting treatment and disclosures by the lessee, refer to Accounting Guidance Note No. 2007/4 – Accounting for Operating Lease Expenses.

Lease incentives
22.73G In relation to lease incentives, refer to Accounting Guidance Note No. 2007/3 – Accounting for Lease Incentives.

Identifying leases
22.74G Further guidance on how to determine if an arrangement constitutes or contains a lease can be found in Interpretation 4 Determining whether an arrangement contains a lease.
23 **Director/Senior Executive Remuneration**

**Definitions**

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

**Bonus paid**

Used for the ‘bonus paid’ column in Table B and Table C. Bonus paid:

(a) is equal to the actual bonus paid to individuals during the reporting period; and

(b) is a component of gross payments reported on the payment summary.

**Contributed superannuation**

For individuals that are in a defined contribution scheme (e.g., PSSap), ‘contributed superannuation’ should include the defined contribution amounts. This amount is typically located on the individuals’ payslips.

For individuals that are in a defined benefit scheme (e.g., PSS and CSS), ‘contributed superannuation’ should include the Notional Employer Contribution Rate (NECR) amount, Employer Productivity Superannuation Contribution (also known as the Productivity Component) and any Additional Lump Sum Contribution paid during the financial reporting period.

**Director**

Director of a Commonwealth authority or GBE.

**Executive remuneration**

Includes all senior executive ‘employee benefits’ (as defined in AASB 119).

**Fee-for-service arrangement**

Where an executive or director employed by one entity is subcontracted out under a formal contract or arrangement (e.g., a memorandum of understanding) to a second entity and the charges for the services under the contract or arrangement are calculated using a fixed rate (e.g., hourly/daily/monthly).

**Reportable allowances**

Used for the ‘reportable allowances’ column in Table B and Table C, and is equal to the ‘total allowances’ figure as reported in an individual’s payment summary.

Reportable allowances excludes any allowances already reported in the gross payments line in the payment summary.
Reportable remuneration  Used for the ‘total reportable remuneration’ column in Table B and Table C, and comprises the sum of:
(a) reportable salary;
(b) contributed superannuation;
(c) reportable allowances; and
(d) bonus paid;
as defined elsewhere in this section.

Reportable salary  Used for the ‘reportable salary’ column in Table B and Table C, and comprises the sum of:
(a) gross payments (excluding bonuses);
(b) reportable fringe benefits (net amount); and
(c) exempt foreign employment income;
as reported in an individual’s payment summary, plus any salary sacrificed amounts.

Secondment  An arrangement entered into where the employee remains an employee of the home APS entity or an outside employer but is lent for a period, by:
(a) an APS entity to another APS entity;
(b) an outside employer to an APS entity; or
(c) an APS entity to an outside employer.

Senior executive  (a) Chief executive officers and equivalents, Senior Executive Service (SES) and equivalent officers classified in Groups 9-11 of the 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 CAC Act section 5.
(c) Employees of an entity:
   (i) who perform functions controlling operational activities, which directly impact the economic function and viability of the entity; and
   (ii) whose employment conditions are equivalent to SES employment conditions of service.
(d) Senior executive excludes Australian Prudential Regulation Authority (APRA) members. APRA members must be disclosed as directors in accordance with section 23.24.
Star-ranked military officer

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

**General requirements**

*Individuals with dual roles*

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

*Fee-for-service contracts*

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

*Secondment arrangements*

23.4 For the purpose of this Division, individuals on secondment must be disclosed by the receiving entity only.
Table A: Senior executive remuneration expenses for the reporting period

Scope
23.5 Table A must be prepared for senior executives of an entity.
23.6 Table A excludes individuals that meet both of the following criteria:
   (a) on an acting arrangement and/or have not been employed by the entity for the full financial reporting period; and
   (b) have total senior executive remuneration for the financial reporting period less than the executive remuneration Table A threshold (as specified in the Standard Parameters document).

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

Disclosures
23.8 Entities must disclose Table A in accordance with Part K.

Table B: Average annual reportable remuneration paid to substantive senior executives during the reporting period

Scope
23.9 Table B must be prepared for substantive senior executives employed by an entity during the reporting period.

Basis of preparation
23.10 The ‘reportable salary’ column is prepared on a cash basis using reportable salary as defined in section 23.1.
23.11 The ‘contributed superannuation’ column is prepared on a cash basis using contributed superannuation as defined in section 23.1.
23.12 The ‘reportable allowances’ column is prepared on a cash basis using reportable allowances as defined in section 23.1.

23.13 The ‘bonus paid’ column is prepared on a cash basis using bonus paid as defined in section 23.1.

**Disclosures**

23.14 Entities must disclose Table B in accordance with Part K.

**Table C: Average annual reportable remuneration paid to other highly paid staff during the reporting period**

**Scope**

23.15 For the purpose of section 23.20, entities must disclose employees:

(a) where the sum of their reportable remuneration was equal to or greater than the executive remuneration Table C threshold (as specified in the Standard Parameters document);

(b) who were not deployed outside Australia during the reporting period; and

(c) who were not required to be disclosed in Table B or director disclosures.

**Basis of preparation**

23.16 The ‘reportable salary’ column is prepared on a cash basis using reportable salary as defined in section 23.1.

23.17 The ‘contributed superannuation’ column is prepared on a cash basis using contributed superannuation as defined in section 23.1.

23.18 The ‘reportable allowances’ column is prepared on a cash basis using reportable allowances as defined in section 23.1.

23.19 The ‘bonus paid’ column is prepared on a cash basis using bonus paid as defined in section 23.1.

**Disclosures**

23.20 Entities must disclose Table C in accordance with Part K.
23.21 Where an entity has no employees within the scope of section 23.15 for both the current and comparative year, the table may be replaced with a text disclosure to this effect.

**Director disclosures**

**Scope**

23.22 For the purpose of section 23.24, disclosures must be prepared for directors of an authority or a GBE.

**Basis of preparation**

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

**Disclosures**

23.24 Entities must disclose director disclosures in accordance with Part K.

**Other Disclosures**

**Secondment arrangements**

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

**Consolidated financial statements**

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

(a) the economic entity; and

(b) the parent entity, (including where the parent entity elects to disclose only parent entity supplementary information as permitted by Division 7).
POLICY

Measurement
23.51P Remuneration must be measured in accordance with AASB 119, except where specifically stated otherwise in this schedule.

Promotion during the reporting period
23.52P Where an individual is promoted to a position of senior executive during the reporting period, all remuneration and reportable remuneration paid prior to the promotion are excluded from calculations for the purpose of this Division.

Star Ranked Military Officers
23.53P Notwithstanding subregulation 4(1)(a) of the FMA Regulations and item 139 of Schedule 1 of the FMA Regulations, the remuneration and reportable remuneration of star ranked military officers posted to the Defence Materiel Organisation (DMO) are reported by the Department of Defence (Defence). Additional information should be provided where appropriate by Defence and the DMO to indicate the resources used.

Salary bands
23.54P Bands within which no individual’s reportable remuneration falls can be excluded from the disclosure.
23.55P Bands within which no director’s remuneration falls can be excluded from the disclosure.

GUIDANCE

Additional disclosures
23.71G Entities are to provide additional disclosure in the footnotes if any figures appear unusual or otherwise warrant additional explanation.

Secondment arrangements
23.72G Secondment arrangements are defined in section 23.1.
23.73G The essence of a secondment arrangement is that:
   (a) in the case of an APS employee, they formally remain an employee of that entity but are assigned duties by the home entity head in another APS entity or with an outside employer (host employer); and
(b) if the employee is a non-APS employee, they are directed by their home employer to perform duties in an APS entity while continuing to be an employee of the home (non-APS) employer.

23.74G 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.

23.75G For Table A, the expense is measured as follows:

(a) Where a formal written agreement for secondment exists, the amount of remuneration disclosed would be as per the formal agreement.

(b) Where no formal written agreement for secondment exists, the remuneration expense relating to the secondee must be obtained from the home entity.

23.76G For Tables B and C, the amount to be reported for an individual on secondment is the individual’s reportable remuneration for the period of the secondment. The entity that receives the seconded individual may need to obtain this information from the home entity.

**Remuneration and reportable remuneration for individuals who are both a director and a senior executive**

23.77G To illustrate section 23.2, an individual, who:

(a) was a senior executive for the first six months of the reporting period (remuneration or reportable remuneration of $100,000 during this period);

(b) subsequently was both a director and senior executive for a period of three months (remuneration or reportable remuneration of $40,000 and $50,000 for the senior executive role and director role, respectively during this period); and

(c) continued as a director but ceased being a senior executive for the rest of the reporting period (remuneration or reportable remuneration of $20,000 during this period);

The individual’s remuneration or reportable remuneration would be $190,000 for senior executive disclosures and $20,000 for director disclosures.
**Part-timers**

23.78G Part-timers who meet the relevant inclusion criteria are not excluded from any of the disclosures in this Division.

**Table A Senior executive remuneration expenses**

23.79G Table A is to include the leave expenses for the period, not leave provisions. For example, if an employee is entitled to 3 weeks leave from prior years, accrues an additional 4 weeks leave during the reporting period, and takes 2 weeks leave, the amount included in Table A would be the value of the additional 4 weeks accrued.

23.80G Leave balances transferred from other agencies are not to be included where they only impact on the provision rather than the expense in accordance with AASB 1004 para. 42.

23.81G ‘Performance bonuses’ are the expenses incurred during the reporting period (i.e., not the cash paid).

23.82G Leave paid out on separation is excluded from disclosure in Table A.

23.83G The major categories of employee benefits in Table A are to be determined by individual entities. Examples of these categories include:

(a) short-term employee benefits (e.g., salary (including annual leave taken), annual leave accrued and performance bonus);

(b) other long-term employee benefits (e.g., long-service leave, long-term disability benefits, profit-sharing, and bonuses);

(c) post-employment benefits (e.g., superannuation, post-employment life insurance and post-employment medical care), and

(d) termination benefits.

**Table B Average annual reportable remuneration paid to substantive senior executives**

23.84G Table B includes reportable remuneration of all substantive senior executives for the financial reporting period.

23.85G As per the definition of ‘reportable salary’, the net figure must be used for reportable fringe benefits. This is the taxable value of fringe benefits provided by the entity before being ‘grossed up’ for tax purposes.

23.86G Senior executive remuneration disclosures are required in Table B even where there is only a single senior executive within
a particular band.

23.87G Senior executives are not excluded from Table B merely because they are on leave, including extended leave.

23.88G Only reportable remuneration earned as a senior executive is included for Table B. If an individual is promoted to the level of senior executive during the year, any reportable remuneration earned prior to the promotion is excluded from the disclosures in Table B.

Table C Average annual reportable remuneration paid to other highly paid staff

23.89G Table C captures staff not reported in Table B or director disclosures.

23.90G As per the definition of ‘reportable salary’, the net figure must be used for reportable fringe benefits. This is the taxable value of fringe benefits provided by the entity before being ‘grossed up’ for tax purposes.

23.91G Other highly paid staff disclosures are still required in Table C even where there is only a single staff member within a particular band.

23.92G Individuals are not excluded from Table C merely because they are on leave, including extended leave.

23.93G The term ‘deployed’ as per section 23.15(b) relates to the operational deployment of employees or serving members of:

(a) ‘intelligence or security agencies’ and ‘law enforcement agencies’ as defined in the Crimes Act 1914;

(b) the Department of Defence; and

(c) the Defence Materiel Organisation.

Staff on overseas postings are not considered ‘deployed’.
24 Remuneration of Auditors

24.1 The disclosures under this division must be prepared in the format prescribed by Part K, even where zero balances occur in both the current and comparative years.

24.2 The fair value of any audit services provided free of charge must be shown in the notes to the financial statements.

24.3 For the purpose of this Division, performance audits are not taken to be audit services.

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

24.5 The amount disclosed under section 24.2 of this schedule must be recorded as resources received free of charge, with a corresponding expense.

GUIDANCE

Remuneration of auditors

24.71G The general requirement to disclose remuneration of auditors is contained in AASB 1054 paras. 10 and 11.
25 Operating Expenditure for Heritage and Cultural Assets

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

GUIDANCE

Operating expenditure

25.71G Only direct costs are included as operating expenditure for heritage and cultural assets. Direct costs are expenses identified as having been specifically incurred by or for the heritage and cultural assets, including upkeep/maintenance. Indirect costs such as corporate administration costs or costs that have been capitalised are not included.

25.72G The following is a list of expenditure items that Collection Institutions might include in operating expenditure for heritage and cultural assets:

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

25.73G Depreciation is not operating expenditure for the purposes of section 25.1.

25.74G Where a proportion of a staff member’s time is not utilised for activities exclusively related to a heritage and cultural asset, the cost of the staff member must be apportioned (to operational expenditure) to reflect the cost incurred specifically for the heritage and cultural asset.
Part E  BALANCE SHEET

OVERVIEW

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

30  Financial Assets – General Information

GUIDANCE

Appropriations receivable

30.71G Appropriations receivable are measured at their nominal amounts. Being non-contractual, they are not financial instruments under AASB 139.
31  **Receivables for Statutory Charges**

31.1  Receivables for statutory charges must be assessed for impairment under **AASB 136**.

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**GUIDANCE**

**Receivables for statutory charges**

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

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

31.73G  In some cases, due to the number of receivables for statutory charges, it is not practicable to assess all receivables individually. **AASB 136 para. 23** allows the use of estimates, averages and shortcuts. These approaches can be used to approximate individual assessments using a group methodology. Nonetheless, significant receivables should be assessed on an individual basis.
32 Investment of Surplus Money by Authorities

32.1 Where an authority holds investments not covered by section 18(3)(a)-(c) of the CAC Act, it must include a note giving particulars of the investments. The note must provide details of the statutory basis for holding additional investments, including whether an approval has been received by the authority under section 18(3)(d) of the CAC Act.

GUIDANCE

32.71G Under CAC Act section 18, authorities that are not GBEs or statutory marketing authorities may only invest surplus money on deposit with a bank, in securities issued or guaranteed by the Commonwealth, a State or a Territory, or in any other manner approved by the Finance Minister.

32.72G The power to approve additional categories of investment under section 18(3)(d) of the CAC Act is held by the Finance Minister. This power was transferred from the Treasurer to the Finance Minister through the Financial Framework Legislation Amendment Act 2005. Under this Act all approvals granted by the Treasurer before the Act’s commencement remain valid.

32.73G Authorities may have investments in classes additional to those listed in section 18(3)(a)-(c) of the CAC Act. For example, an authority’s enabling legislation may specifically provide for wider investment powers than those contained in section 18(3)(a)-(c) of the CAC Act, or the authority may have been granted an approval to invest in a further class of investment through section 18(3)(d) of the CAC Act.

32.74G For information about investments, refer to Finance Circular 2005/05: Investment of Surplus Money.
33 **Valuation of Non-Financial Assets**

**Scope**

33.1 This division applies to assets within scope of [AASB 116](https://www.asb.org.au), [AASB 138](https://www.asb.org.au), and [AASB 140](https://www.asb.org.au).

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](https://www.asb.org.au) or [AASB 140](https://www.asb.org.au) as applicable:

(a) land;
(b) buildings;
(c) heritage and cultural assets (where not intangible assets);
(d) investment properties; and
(e) other property, plant and equipment.

**Valuation**

33.3 Intangible assets must be valued by class in accordance with [AASB 138](https://www.asb.org.au), at:

(a) cost, in the absence of an active market; or
(b) fair value, where an active market exists for all assets in a class.

33.4 Each non-financial asset listed in section 33.2 or recognised in compliance with [section 33.3(b)](https://www.asb.org.au), other than investment properties, must be assessed each year to ensure that the carrying amount does not differ materially from fair value as at reporting date. If there is a material difference then revaluation of the entire class is required.

33.5 Investment property must be revalued annually in compliance with [AASB 140](https://www.asb.org.au).

**Specialist military equipment**

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

Asset recognition, valuation and depreciation

33.71G Either the gross or net approach to disclosing revalued assets may be used as permitted by AASB 116 para. 35.

33.72G For more guidance on assets held for sale as defined in AASB 5 refer to Accounting Guidance Note No. 2007/5 Accounting for Non-current Assets Held for Sale.

33.73G For more guidance on accounting for internally developed software refer to Accounting Guidance Note No. 2007/1 Accounting for Internally Developed Software.

33.74G For information on accounting for subsequent expenditure on property, plant and equipment, refer to Accounting Guidance Note No. 2007/7 Accounting for Subsequent Expenditure on Property, Plant and Equipment.

33.75G Refer to Finance Brief 35 for more information on land under roads.

33.76G 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.

33.77G 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.
34 Impairment of Non-Financial Assets

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

**GUIDANCE**

*Generation of cash inflows*

34.71G Entities, or parts of entities, other than those whose predominant purpose is to generate net cash inflows, are not cash-generating units for the purpose of AASB 136.

34.72G Agency receipts retained under section 31 are included for the purpose of determining whether entities are cash-generating units under AASB 136.

*Impairment process*

34.73G 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.

*Indicators of Impairment*

34.75G 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.

34.76G 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 is 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 presented in accordance with Part K:

(a) Table A *Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment*;

(b) Table B *Reconciliation of the Opening and Closing Balances of Investment Property*; and

(c) Table C *Reconciliation of the Opening and Closing Balances of Intangibles*.

35.2 Entities may combine tables required by this division 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

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

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

GUIDANCE

Definition
37.71G Heritage and cultural assets are defined in Division 4. As per the definition, heritage and cultural items do not include structures constructed to assist with the display, transport or storage of the asset.
37.72G Examples of items not captured by the definition are backdrops, hanging apparatus, storage racks or protective cases, unless the item has such value in its own right or is an integral part of the heritage and cultural item.
37.73G An example of an asset being an integral part of a heritage and cultural asset might be the original frame surrounding a painting.
that is classified as a heritage and cultural asset.

**Asset recognition criteria**

37.74G 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.

37.75G Where a heritage and cultural asset is irreplaceable and has no market price, it is unlikely that its value can be reliably measured.

**Useful lives**

37.76G The AAS contemplate indefinite useful lives for some assets and non-depreciation in circumstances where assets have indefinite useful lives.

37.77G 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**

37.78G One example of an item subject to [section 37.2](#) is buildings of historical interest that are used primarily to provide office accommodation. These should not be accounted for as heritage and cultural assets.

37.79G Heritage and cultural items are buildings, other structures, works of art, artefacts, collectables, historical treasures, nature reserves, national parks, 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.

**Curatorial and preservation policies**

37.80G Entities are not required to disclose sensitive material (e.g. information about fraud/theft prevention) contained in the same document as curatorial or preservation policies.
38 **Assets Held in Trust**

38.1 Financial statements of entities must include a note giving particulars of assets held in trust when the entity is a trustee in a legal trust arrangement. A legal trustee relationship may occur through formal appointment or otherwise.

38.2 The note referred to in section 38.1 must contain:

(a) a summary of the categories of assets held in trust at the end of the reporting period and the purpose for which they are being held;

(b) in relation to monetary assets held in trust, the entity must disclose:
   (i) total amount held at the beginning of the reporting period;
   (ii) total receipts during the reporting period;
   (iii) total payments during the reporting period; and
   (iv) total amount held at the end of the reporting period;

(c) Subject to section 38.3, in relation to non-monetary assets held in trust, the entity must disclose:
   (i) estimated value at the beginning of the reporting period;
   (ii) estimated value of assets obtained during the reporting period;
   (iii) estimated value of assets disposed of during the reporting period;
   (iv) changes in fair value during the reporting period; and
   (v) estimated value of assets at the end of the reporting period.

38.3 Where an estimated value cannot be assigned to a non-monetary asset, either because it is uneconomical or impractical to do so, the details in section 38.2(c) do not need to be disclosed. A statement from the entity asserting that it is uneconomical or impractical is taken to be sufficient evidence.

38.4 Where an entity applies section 38.3, it must provide additional disclosure stating why estimated values have not been used.
### POLICY

#### Trust disclosures

<table>
<thead>
<tr>
<th>Paragraph</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>38.51P</td>
<td>This division applies to agreements that constitute a legal trust (including for charitable purposes under trust law). Legal advice should be obtained if an entity is unsure as to whether or not an asset is held in trust.</td>
</tr>
<tr>
<td>38.52P</td>
<td>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.</td>
</tr>
<tr>
<td>38.53P</td>
<td>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.</td>
</tr>
<tr>
<td>38.54P</td>
<td>Intelligence and security agencies, defence agencies and prescribed law enforcement agencies, while exempt from the disclosure requirements under Division 38, are encouraged to disclose the general nature of assets held in trust.</td>
</tr>
<tr>
<td>38.55P</td>
<td>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.</td>
</tr>
</tbody>
</table>

#### Special accounts

<table>
<thead>
<tr>
<th>Paragraph</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>38.56P</td>
<td>Entities must report assets covered by section 38.1 that stand to the credit of a special account in the notes to the financial statements for special accounts (see Division 120). A footnote in the assets held in trust note must cross reference to the relevant special account note.</td>
</tr>
</tbody>
</table>

#### Unidentified receipts

<table>
<thead>
<tr>
<th>Paragraph</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>38.57P</td>
<td>Money found on Australian Government premises and other unidentified receipts are, and should be accounted for as, administered receipts. These receipts must not be treated as assets held in trust, as there is no beneficiary or third-party purpose.</td>
</tr>
</tbody>
</table>
Trust money

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

Unidentified receipts

38.72G Contact the Forex, Special Accounts and Relevant Agency Receipts Section, Cash Management Branch within Finance via appropriations.policy@finance.gov.au for additional information and guidance.

Public money held by outsiders

38.73G The guidance in Division 45 contains information in relation to public money held by outsiders.
39 **Joint Ventures**

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

**GUIDANCE**

39.71G AASB 131 allows entities to recognise interests in jointly controlled entities using proportionate consolidation as an alternative to the equity method. Section 39.1 removes this option.
40 Liabilities – General Information

GUIDANCE

Liabilities

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

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

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

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

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

Obligations

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

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

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

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

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

41.1 Where legislation provides that a Minister(s) may determine the amount to be paid as a dividend or similar distribution, the entity must recognise a liability for any dividend or distribution determined by the Minister(s) at the date of the Ministerial determination.

41.2 Where a wholly-owned Australian Government entity is required to pay its profit for the year to the Australian Government, a liability for the dividend must be recognised for an amount equal to profit for the current year as at the entity’s reporting date.

41.3 Where an entity is required to pay its profit for the year to the Australian Government after the deduction of certain amounts, a liability for the dividend must be recognised if those amounts are known before the date of completion of the financial statements. If these amounts are not known before this date, the entity should instead disclose a contingent liability.

GUIDANCE

41.71G Enabling legislation normally set out procedures for dividends. Typically, the board or other governing body recommends a dividend to the Minister. The Minister has the authority to accept or reject a recommendation. A liability for the dividend is not recognised by the entity until the Minister has made a determination.

41.72G In some cases, legislation or Government policy provides for a dividend to be paid of:

(a) an amount or percentage of profit for the year; or
(b) profit less specified deductions.

In such cases there is no need for a determination, and a liability for dividends arises at the reporting date when the amount is known.

41.73G In accordance with AASB 110 paras. 12 and 13, if an entity declares dividends to holders of equity instruments after the reporting date, no liability is recognised at reporting date. Rather, such dividends are disclosed in the notes to the financial statements in accordance with AASB 101.

41.74G Returns of capital are addressed in Division 101.
43 **Employee Benefits**

**Key principles**

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

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

**On-costs**

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

<table>
<thead>
<tr>
<th>POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Additional costs</strong></td>
</tr>
<tr>
<td>43.51P Entities must make an allowance for additional costs (e.g., superannuation costs) expected to settle leave provisions.</td>
</tr>
<tr>
<td>43.52P The recommended approach to calculate additional costs is:</td>
</tr>
<tr>
<td>additional costs = total estimated liability * (X*Y)</td>
</tr>
<tr>
<td>Where:</td>
</tr>
<tr>
<td>X= costs as a % of employees’ salaries (this includes superannuation, employee allowances and additional annual and LSL accrued when the leave is taken)</td>
</tr>
<tr>
<td>Y= proportion (as a %) of accrued leave expected to be taken in-service by all employees</td>
</tr>
<tr>
<td>43.53P Some additional costs only apply if the leave is taken in-service.</td>
</tr>
</tbody>
</table>
To calculate the expected leave taken in-service, entities must review historical employee data and/or use an established rate from similar entities.

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

**The shorthand method**

*Step 1: Obtain nominal, accrued LSL information*

43.55P Obtain details of each employee’s balance of accrued LSL entitlement. This is the amount accrued during service (including eligible prior service for LSL with previous employers) less the amount taken (including amounts redeemed for payment).

43.56P For example, where full-time employees accrue 9 calendar days per year of service:

(a) an employee who has worked for half a reporting period has accrued 4.5 days; and

(b) an employee who has worked for 11 years and has taken 10 days of LSL has accrued 89 days.

43.57P Each employee’s LSL entitlement must be expressed as a dollar amount (including eligible prior service). As each employee’s LSL entitlement is expressed in calendar days an adjustment is required to remove the effect of weekends as applicable.

*Step 2: Calculate the probability-weighted accrued LSL*

43.58P Apply the formula as follows to calculate the nominal probability-weighted accrued LSL:

\[ A = B \times C \]

Where:

A = nominal probability-weighted LSL
B = amount from Step 1
C = probability weight in the LSL – Table of Probability Factors (see section 43.74G)

Not Current Version
Step 3: Calculate the present value of the (probability-weighted) LSL liability

43.59P For each employee, multiply “A” from Step 2 by the factor determined by reference to the LSL – Table of Discount Factors (see section 43.74G).

43.60P The salary growth rate is the entity’s estimate of the average annual salary growth rate expected over ten years.

43.61P Where discount or salary growth rates:

(a) are within range of rates presented in the table, entities must round the rate to the nearest amount or extrapolate between rates presented in the table; and

(b) are not within range of the rates presented in table, entities must consult with Accounting Policy Branch in Finance and obtain actuarial advice.

Step 4: Calculate the estimated LSL liability for the entity

43.62P The total estimated liability for the entity is the sum of the liabilities for each employee.

43.63P The shorthand method does not take into consideration additional costs. These additional costs must be added to arrive at the final liability.

GUIDANCE

The shorthand method

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

Sick leave

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

Discount rate

43.73G In relation to AASB 119 para. 78, for-profit Australian Government entities should use the market yields (at the end of the reporting period) on government bonds to discount employee benefits.
The LSL – Table of Probability Factors (referred to in section 43.59P) and the LSL – Table of Discount Factors (referred to in section 43.60P) are available in the Standard Parameters.

**On-costs**

On-costs such as workers’ compensation insurance and payroll tax are not employee benefit liabilities. These items must be recognised as liabilities and expenses when the employee benefits are recognised as expenses.
44 Measurement and Disclosure of Post Employment Plans

Key principles

44.1 For plans where the actuarial risk (shortfall risk) falls on the entity, the entity must account for them as defined benefit plans.

44.2 The market yield on Australian Government bonds must be referenced when determining a discount rate for employee benefits under AASB 119.

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

44.3 The Australian Government has a legal liability to meet the deficits of the PSS, CSS and military superannuation schemes; and as such liabilities related to these schemes are reported on behalf of the Australian Government in the administered reports of:

(a) Finance (for PSS and CSS); or
(b) Department of Defence (for military superannuation schemes).

44.4 Entities acting as agents collecting contributions from employees for the PSS, CSS and military superannuation schemes must:

(a) account for and make the required disclosures in accordance with AASB 119 as if they were contributing to defined contribution plans; and

(b) disclose the following facts and reference:

(i) that the entity is accounting for the scheme as a defined contribution plan;
(ii) that at the whole-of-Government level the scheme is a defined benefit plan and is accounted for as such; and
(iii) a reference to the financial statements in which the defined benefit disclosures have been or will be made.

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

PSS accumulation plan disclosures

44.71G The PSS Accumulation Plan is considered a defined contribution plan from the point of view of both the entity and the whole-of-Government.
45 **Financial Instruments**

**Classification**

45.1 Unless otherwise required under AASB 139, where an active market exists for a:

(a) financial asset - entities must classify the instrument as either at FVTPL or available for sale; and

(b) financial liability - entities must classify the instrument as at FVTPL.

45.2 AASB 139 allows a financial asset or liability to be designated as at FVTPL if it results in more relevant information in the specific circumstances outlined in the standard. If these circumstances apply and it results in more relevant information, entities must designate the instrument as FVTPL.

**Impairment losses**

45.3 Where permitted under an AAS, entities must:

(a) recognise all impairment losses on financial assets under AASB 139 in an allowance account (rather than adjusting these losses directly against the carrying amounts of the related assets); and

(b) maintain a separate allowance account for each class of financial asset.

**Derivatives and hedging**

45.4 Where an entity has held derivative financial instruments that are not part of a qualifying hedging arrangement at any time during the period, it must disclose:

(a) the management’s objectives for holding or issuing those derivatives;

(b) the context needed to understand those objectives; and

(c) the strategies for achieving those objectives.

45.5 Entities must adopt (a) in all cases where AASB 139 allows for a choice between:

(a) capitalising gains or losses on hedges into the carrying amount of the underlying assets; and
(b) progressively transferring such gains or losses from equity to income or expense.

**Regular way purchase or sale**

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

**Concessional loans**

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

**Market risk sensitivity analysis**

45.8 Where sensitivity analysis is required, entities must use the standard rates referenced in Finance Brief 31 AASB 7 Financial Instruments: Disclosures Standardisation of market risk sensitivity analysis when disclosing market risk.

45.9 Approval from Finance is required for entities to use different rates in their sensitivity analysis.

**POLICY**

Valuation techniques

45.51P Where a valuation technique is used, AASB 7 para. 27 does not necessarily require quantitative information about the assumptions applied in determining fair value to be disclosed. As such, the information about assumptions can be qualitative only if appropriate.

**GUIDANCE**

Summary of the types of financial instruments

45.71G The table below provides a summary of the types of financial instruments. This is an indicative list only and AASB 139 should be consulted for further information, including scope restrictions and category restrictions for items. Categorisation needs to reference the intention of the management and past actions in some cases.
## Categories

<table>
<thead>
<tr>
<th>Categories</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial asset or financial liability at FVTPL</td>
<td>• Speculative share portfolio</td>
</tr>
<tr>
<td></td>
<td>• Forward exchange contracts</td>
</tr>
<tr>
<td></td>
<td>• Interest rate swap</td>
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<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>Note: where there is an active market, these</td>
<td></td>
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<tr>
<td>items must be treated as FVTPL or available for</td>
<td></td>
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<tr>
<td>sale unless unable to do so under AASB 139.</td>
<td></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</td>
</tr>
<tr>
<td></td>
<td>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>

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### Definitions and measurement

45.72G **AASB 7** requires disclosure about items not identified as financial instruments in **AASB 139**, including:

(a) loan commitments accounted for under **AASB 137**; and

(b) some contracts. An example is a contract to buy or sell a
non-financial item that can be settled net in cash or for another financial instrument, or, where the non-financial item is readily convertible to cash such as gold in a contract to purchase gold (AASB 5 para. 5).

45.73G 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 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.

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

45.76G AASB 139 Appendix A para. AG69-AG82 provide guidance on the fair value measurement considerations for recognition and measurement of financial instruments.

45.77G 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.

**Initial measurement**

45.78G 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.

45.79G 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.
If a prevailing interest rate or range is determined, and the financial instrument is issued at a rate below this rate, a valuation technique will result in a value less than the transaction price with the difference likely to be recognised as an expense unless upfront compensation is received for the discount.

**Subsequent measurement**

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

**Disclosures**

**AASB 7 para. 27A** requires, for the purpose of disclosure under **AASB 7.27B**, that entities classify fair value measurements of financial instruments by using the specified fair value hierarchy (i.e., level 1, 2 or 3). There has not been an equivalent policy in **AASB 139** and therefore, the implicit fair value hierarchy in **AASB 139** is different from the amendments made to **AASB 7** for disclosure purposes. According to the current standards, entities use **AASB 7** for disclosure purposes and **AASB 139** for recognition and measurement purposes.

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

**Classification of Financial Instruments**

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

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

**Concessional loans**

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

**Impairment of financial instruments**

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

**Authority to use derivatives**

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

**Public money held by outsiders**

45.89G Public money held by an outsider is reported in the relevant agency's balance sheet as cash held by the agency. This includes public money held by an outsider:

(a) authorised under [FMA Act section 12](https://www.legislation.gov.au/Details/C2012C0069/part-2) to receive, hold or make payments of public money; or

(b) deemed to be an allocated official (under section 5 of FMA Regs) when they are performing a financial task for an agency.

Part F  OTHER FACE STATEMENTS AND SCHEDULES

OVERVIEW

Part F outlines the reporting requirements for other face statements and schedules including the cash flow statement, schedule of contingencies and schedule of commitments.

60  Cash Flow Statement

60.1 Entities must:

(a) present a cash flow statement using the direct method in compliance with AASB 107;

(b) present dividends paid as a component of financing activities; and

(c) show administered cash flows to/from the OPA as adjustments to administered cash held by an entity, rather than as cash flows related to operating or other activities.

GUIDANCE

Cash Flow

60.71G Section 60.1(c) formalises in this schedule the existing requirements in Part K. This includes appropriations drawn down from the OPA for payment to authorities.

Transfers of section 31 to the OPA

60.72G Transfers of section 31 receipts to the OPA are disclosed as operating cash flows.

60.73G Where relevant agency receipts are returned to the OPA, and subsequently redrawn as departmental appropriation, they are disclosed as a separate operating cash outflow and inflow, respectively (i.e. netting off these cash flows is not permitted).
80  **Contingencies**

**Schedule of contingencies**

80.1  Contingent liabilities and assets that can be reliably measured must be classified in accordance with the classes specified in the [Part K](#); where applicable, new classes can be added.

80.2  A contingent liability and a contingent asset must not be netted off. The extent to which any contingent liabilities and assets are linked must be stated separately.

80.3  Unquantifiable contingent liabilities and assets that are not included in the schedule of contingencies must be explained in a note to the financial statements.

80.4  If an entity has given a financial guarantee, it must:

(a)  state that fact beneath its schedule of contingencies; and

(b)  include a cross reference to details regarding the guarantee in other notes to the financial statements.

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

**Contingent liabilities**

80.6  Significant remote contingent liabilities must be disclosed in the notes to the financial statements.

<table>
<thead>
<tr>
<th>POLICY</th>
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</thead>
<tbody>
<tr>
<td><strong>Contingencies</strong></td>
</tr>
<tr>
<td>80.51P  The reference in <a href="#">AASB 137 para. 92</a> to ‘entity’ must be read as the entity, another Australian Government entity or the Australian Government as a whole.</td>
</tr>
<tr>
<td>80.52P  Entities must review the Statement of Risks published in Budget Paper No. 1 and the draft schedule of contingencies for publishing in the financial statements to ensure that all relevant contingencies have been disclosed in the statements (including the schedule of contingencies). Disclosure requirements for the Statement of Risks may differ from those of this division.</td>
</tr>
</tbody>
</table>
**GUIDANCE**

**Contingencies**

80.71G **AASB 139 para. 2(e)** includes financial guarantee contracts in its scope (as defined in **AASB 139 para. 9**). **AASB 137 para. 2** excludes from its scope those financial instruments that are covered by **AASB 139**.

80.72G **AASB 137 para. 92** provides for reduced disclosures in the rare cases where there is the expectation that full disclosure would seriously prejudice the Commonwealth.
81 Commitments

81.1 Entities must disclose the nature, and where quantifiable, the amount of each class of departmental commitment except commitments for the supply of inventory in accordance with the tables in Part K.

81.2 Equivalent disclosure for administered commitments must be included in the administered reports (see Division 85 and Part K).

81.3 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 as at the reporting date; and

(b) are executory contracts that are not recognised under AASB 137 (i.e. not onerous).

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

81.5 The amounts reported as commitments payable and commitments receivable must include GST where applicable. A corresponding commitment receivable or payable must be reported as a net figure in the schedule of commitments for the net GST recoverable from or payable to the ATO.

81.6 Subject to section 81.5, commitments payable and receivable must not offset against each other.

81.7 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, that fact can be disclosed in the notes to the financial statements.

POLICY

Leases

81.51P Operating lease disclosures, in relation to the disclosure of future minimum lease payments or sublease payments expected to be received as required by AASB 117, must be included in the schedule of commitments as outlined in Part K. These disclosures apply equally to sale and leaseback transactions which are classified as operating leases.

81.52P Finance lease disclosures in relation to future minimum lease
payments required by AASB 117 para. 47 must be disclosed in notes to the financial statements, rather than the schedule of commitments.

GUIDANCE

Commitments and liabilities

81.71G  Commitments may be capital, non-capital, payable or receivable.

81.72G  Commitments differ from liabilities in that there is no present obligation arising from a past transaction or event or such an obligation is subject to future performance of another party, e.g., obligations that are executory contracts.

81.73G  Where the entity intends to make payments to other parties, whether as a result of government policy statement, election promises or other public pronouncement, this does not of itself create a present obligation.

81.74G  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. Where 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.

Agreements

81.75G  An agreement or contract requires parties to make future sacrifices of economic benefits. However, until performance by the entity or the other party takes place no liability or asset is recognised. Instead, the future sacrifice is reported as a commitment.

81.76G  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.

81.77G  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

81.78G  Undertakings are unilateral promises that are intended to result in
payments in future periods. Unilateral promises are not reported as undertakings where further approval is required or legislation must be enacted to fulfil the undertaking.
Part G  ADMINISTERED REPORTING

OVERVIEW

Part G outlines the requirements for administered reporting.

85  Administered Reporting – General Information

Scope

85.1 Entities that administer activities for the Australian Government must disclose administered reports as prescribed in Part K.

Disclosures

85.2 Administered reporting must:

(a) provide a brief description of the activities being administered on behalf of the Australian Government;
(b) include ‘administered’ as defined in Division 4;
(c) include an Administered Reconciliation Schedule in accordance with Part K;
(d) include disclosures in relation to accounting policies in accordance with the relevant AAS (e.g., AASB 1050) and all applicable requirements of this schedule; and
(e) be in a different background shading to ‘departmental’.

85.3 A statement of changes in equity is not required for administered.

POLICY

General

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

GUIDANCE

General

85.71G Accounting policies for ‘administered’ are the same as those for
‘departmental’, unless stated otherwise in this schedule.

85.72G Unless otherwise stated in this schedule, administered transactions between entities are accounted for in the same manner as departmental transactions. For example, a purchase of services may be recognised as income in one entity and an expense in the other.

Changes in 2011-12

85.73G From 2011-12, administered disclosures will include the disclosure of a full schedule of comprehensive income and associated note disclosure.

85.74G A ‘net assets/liabilities’ line has been added to the schedule of assets and liabilities.

85.75G The schedule of administered cash flows has been given greater prominence.

85.76G From 2011-12 entities are required to prepare an administered cash flow reconciliation.

Impairment of administered assets

85.77G Agencies must apply the impairment provisions under AASB 139 to administered investments as well as other administered financial instruments accounted for under AASB 139.

85.78G Administered assets other than financial instruments should be assessed for impairment under the relevant AAS.

85.79G The relevant AAS for impairment assessment of receivables for statutory charges is AASB 136 (see section 31.1).

85.80G AASB 136 applies to administered assets that are not financial instruments. However, estimates, averages and shortcuts may be applied under AASB 136 para. 23 for determining fair value less costs to sell or value in use and this assessment can be made on a portfolio basis where this is appropriate (e.g., impairment of a large portfolio of statutory receivables).

85.81G The Australian Government as a whole is not considered a cash-generating operation. Therefore, the provisions of AASB 136 in respect of cash-generating assets will apply to administered assets only where they are used to generate cash inflows primarily from outside the Australian Government economic entity.
Transfer payments

85.82G  **AASB 1050 para. 22** requires entities to disclose the ‘broad categories of recipients’ of transfer payments and amounts transferred to those recipients. ‘Broad categories of recipients’ is not defined in **AASB 1050**. Entities are required to determine the categories of recipients appropriate to their circumstances. Similar recipients or categories of recipients may be aggregated into broad categories for disclosure purposes.

85.83G  Where an entity 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 entity controls the payments.

Administered reconciliation schedule

85.84G  Lines ‘adjustment for change in accounting policies’ and ‘adjustments for errors’ of the Administered Reconciliation Schedule are only for use in the comparative year, not the current year of the financial reports.

85.85G  Transfers to the OPA of administered amounts are to be recognised in the line ‘Transfers to OPA’, not as administered expenses.
87 Administered Investments

87.1 This division only applies to administered investments where the Government’s interest is in the nature of:
(a) subsidiaries under AASB 127;
(b) associates under AASB 128; or
(c) jointly controlled operations and jointly controlled entities under AASB 131.

87.2 Other investments (e.g., a one per cent shareholding in a listed company) are accounted for under Division 45.

87.3 Administered investments:
(a) are not considered controlled by the entities reporting them;
(b) must be disclosed in the administered reports;
(c) other than those held for sale in accordance with AASB 5, must be measured at fair value; and
(d) must not be consolidated on a line-by-line basis into an entity’s financial statements without approval from the Finance Chief Executive.

87.4 Entities must determine the fair value of administered investments using the following hierarchy:
(a) observable market value; and
(b) where (a) is not available, valuation techniques.

GUIDANCE

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

Valuation techniques
87.72G Generally, the observable market value approach is limited to for-profit public sector listed entities.
87.73G Among the valuation techniques that can be used under section 87.4(b) are:
(a) Discounted Cash Flows – this method should be considered when an entity invests in another entity that generates
significant non-government cash inflows and those cash flows can be reliably predicted; and

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

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

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

(b) [AASB 1049](#).

**Fair value hierarchy**

87.75G Section 87.4 sets out the requirements for application of the fair value hierarchy:

(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.

**Classification**

87.76G 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 schedule (administered assets less administered liabilities) rather than administered income or expense.
88 **Administered Investments Held for Sale**

**Key principles**

88.1 Administered investments held for sale:
   
   (a) are accounted for in accordance with Division 45;

   (b) must be reported by the relevant Portfolio Department unless a formal agreement or decision has been made to transfer the investments to Finance; and

   (c) must be transferred at net book value.

**Costs of sale**

88.2 The costs of sale of an administered investment:

   (a) are expensed as incurred, regardless of whether the investment meets the criteria to be held for sale in AASB 5; and

   (b) must not be added to the carrying amount of administered investments.

88.3 Where the selling costs are expensed across a number of reporting periods, the total selling costs must be disclosed in a note to the administered reports.

**Disclosures**

88.4 Entities must disclose the following for each sale of an administered investment:

   (a) proceeds from sale;

   (b) written down value of the asset sold;

   (c) recognised gain or loss on sale;

   (d) selling costs incurred; and

   (e) the net gain or loss after deducting selling costs incurred.

**Date of transfer**

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

General guidance on administered investment held for sale

88.71G Where there is no formal agreement or decision as outlined in section 88.1(b) the Portfolio Department must report the investment, even when the sale process is managed by Finance.

88.72G Finance has responsibility for the sale of assets under an AAO; this does not mean that Finance needs to own the asset being sold.

88.73G For an asset to be transferred to Finance there needs to be a clear intention to transfer the asset, supported by a formal decision of the Australian Government or Ministerial agreement.

88.74G AASB 5 does not apply to the restructuring of administrative arrangements (e.g., AAO). It only applies where an asset is being sold.

88.75G While administered investments held for sale are disclosed under AASB 5, they are measured under AASB 139 because they are financial assets.

Costs of sale of an administered investment - examples

88.76G Costs of sale of an administered investment typically include:

(a) project management;
(b) advisory services;
(c) advertising and marketing;
(d) legal fees;
(e) scoping studies; and
(f) regulatory fees.
Part H    RESTRUCTURES

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

92  Restructures of Administrative Arrangements

92.1 Where a restructure of administrative arrangements has occurred during the reporting period as per AASB 1004, the relevant entities must:
   (a) disclose details of the restructure of administrative arrangements in a note in the financial statements;
   (b) disclose ‘departmental’ and ‘administered’ separately; and
   (c) recognise assets and liabilities transferred at their net book value immediately prior to transfer.

92.2 For the purposes of this division, the terms:
   (a) ‘government department’ in AASB 1004 means any Government controlled entity; and
   (b) ‘legislation or other authority’ in the definition of a restructure of administrative arrangements in AASB 1004 means one of the followings:
      (i) a decision of the Cabinet or Prime Minister;
      (ii) an AAO;
      (iii) an Act of Parliament or a Regulation under an Act; or
      (iv) a written agreement between the relevant portfolio minister(s) and the Finance Minister or the Prime Minister, as appropriate.

GUIDANCE
92.71G Restructures of administrative arrangements apply to government controlled not-for-profit entities and for-profit government
departments. **Section 92.2(a)** means that AASB 1004 para. 54-59 apply to all Government controlled entities.

<table>
<thead>
<tr>
<th>Paragraph</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>92.72G</td>
<td>Accounting entries are not required to be processed by the date of the transfer for an entity to make the disclosures required by this division as of that date.</td>
</tr>
<tr>
<td>92.73G</td>
<td>Some examples of situations which may meet the definition of a restructure of administrative arrangements include:</td>
</tr>
<tr>
<td></td>
<td>(a) transfer of responsibility for delivery of goods and services including delivery of advice to the Australian Government;</td>
</tr>
<tr>
<td></td>
<td>(b) transfer of responsibility for managing assets and liabilities; and</td>
</tr>
<tr>
<td></td>
<td>(c) a reclassification between ‘departmental’ and ‘administered’.</td>
</tr>
<tr>
<td>92.74G</td>
<td>A restructure of administrative arrangements does not necessarily mean that a function is physically being relocated.</td>
</tr>
<tr>
<td>92.75G</td>
<td>Entities must comply with the reporting requirements in <em>FMA Act section 51</em> on change of functions.</td>
</tr>
<tr>
<td>92.76G</td>
<td>Transfers of cash representing prior years' unspent appropriations are accounted for against equity in the same way as other assets transferred as part of the restructure of administrative arrangements. <em>FMA Act section 32</em> determinations will need to be in place to enable the receiving entity to access and spend these appropriations. Entities should contact Cash Management Branch via <a href="mailto:amtmail@finance.gov.au">amtmail@finance.gov.au</a> for further information.</td>
</tr>
</tbody>
</table>
Part I  APPROPRIATIONS

OVERVIEW

Part I comprises:

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

100 Appropriations – General Requirements

Key principles

100.1 Entities must recognise and disclose appropriations (including special appropriations) in accordance with this schedule, regardless of whether the relevant amounts are considered to be material in accordance with Division 12.

100.2 Recognition for accounting purposes is by the entity named in the relevant legislation or if not named, the portfolio department, or as otherwise determined by the relevant Ministers.

Amounts appropriated for payment to an authority

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

Adjustments to appropriations

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

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

FMA Act section 32 transfers
100.5 For FMA Act section 32 transfers, control of appropriation is lost or gained at the later of:
(a) the date of the determination; or
(b) the commencement date set out in the determination (note that FMA Act section 32(8) allows the transfer to take effect before or after the day it is registered).

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

GUIDANCE

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

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

FMA Act section 32 transfers
100.73G In relation to Machinery of Government and restructuring of administrative arrangements changes, refer to:
(a) AAO;
(b) FMA Act section 32;
(c) Division 92 of this schedule;
(d) Finance Circular 2007/03 Section 32 of the FMA Act -
Transfer of Agency Functions:

(e) Finance Brief 6 (Revised) Adjustment of Appropriations on Change of Agency Functions; and


Special appropriations – limited and unlimited

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

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

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

Relevant agency receipts (FMA Act section 31)

100.76G Refer to Finance Circular No. 2008/07 Relevant Agency Receipts – FMA Regulations 15 and 16 for further guidance.

Goods and Services Tax (Section 30A)

100.77G The FMA Act section 30A amount is not necessarily equal to the GST refund received from the ATO. A refund of GST from the ATO generally 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 appropriation receivable is increased under FMA Act section 30A for recoverable GST only consists of the input tax credits in (a).
101 Departmental Appropriations

Scope

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

Recognition

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

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

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

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

_Equity returns and adjustments_

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

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

_Formal additions or reductions_

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

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

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

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

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

(d) amounts determined by the Finance Minister (or delegate) or an entity’s Minister or Presiding Officer under Part 3 of the Appropriation Acts; and

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

### GUIDANCE

**Equity injections and returns**

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

**Appropriations – adjustments due to agreements**

101.72G Agreements referenced in section 101.6(c) that might require adjustments to appropriation include:

(a) Air Passenger Processing Workload Growth Agreement;

(b) Cabinet directives relating to funding for Defence deployment;

(c) Centrelink Funding Model Agreement;

(d) Child Support Agency Agreement; and

(e) DFAT Passport Services Purchasing Agreement.

**No-win/no-loss funding**

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

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

**Formal additions or reductions – timing difference**

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

**Departmental capital budgets**

101.76G Departmental capital budgets are accounted for as contributions by owners as owners (i.e., equity) as per EM 2010/58 Capital Budgeting Policy For Australian Government Agencies and EM 2010/06: Operation Sunlight: Net Cash Appropriation Arrangements – Creation of Departmental Capital Budgets and Capital Adjustments.

**Departmental supplementation**

101.77G For accounting purposes, departmental supplementation is accounted for as follows:

(a) recognition – the date of approval;

(b) measurement – amounts designated as contribution by owners are recognised as equity and all other amounts are recognised as appropriation revenue; and

(c) subsequent years – appropriations in subsequent years will be recognised to the extent that they have not been previously recognised.

101.78G Transactions must be appropriately evidenced before appropriations can be recognised. The minimum requirement for ‘appropriate evidence’ is a written Ministerial agreement.

101.79G For more information on departmental supplementation refer to EM 2010/18 – Changes to the Appropriation Framework.
102 Administered Appropriations

Scope

102.1 Entities must recognise in their administered reconciliation schedule all administered appropriations (including administered special appropriations) for which they are the responsible entity.

Recognition

102.2 The earliest point of recognition for accounting purposes is:
   (a) the date the amounts are drawn down to the entity’s bank account for payment against the appropriation for:
      (i) administered annual appropriations; and
      (ii) administered special appropriations; and
   (b) the date stated in the determination (if not stated, then the date of the determination) for other administered amounts determined by:
      (i) the Finance Minister (or delegate);
      (ii) the entity’s Minister; or
      (iii) the Presiding Officer under Part 3 of the Appropriation Acts.

102.3 Administered appropriations are not to be recognised as revenue in the administered schedule of comprehensive income.

Payments to CAC Act bodies

102.4 Payments from an agency to an authority in the nature of:
   (a) an equity injection are an increase to the carrying amount of the administered investment of the agency;
   (b) loan appropriations to CAC Act bodies must be accounted for as loans receivable by the relevant Portfolio Department. Interest repayments must be recorded as revenue in the Portfolio Department’s administered accounts, regardless of whether the interest is paid directly to the OPA or through the relevant Portfolio Department; and
   (c) other payments (i.e., not in the nature of equity injection or loans) are recorded as expenses by the agency.
GUIDANCE

Payments to CAC Act bodies

102.71G An amount appropriated to an agency for payment to an authority, either through annual or special appropriations, is an administered appropriation to the agency and is recognised accordingly. Authorities do not receive appropriations directly.

102.72G CAC Act body payment items only include those amounts appropriated to Portfolio Departments for payment to CAC Act bodies in the annual Appropriation Acts. They do not include amounts paid to CAC Act bodies under other arrangements (e.g., contractual arrangements or special appropriations).

102.73G For more information on payments to CAC Act bodies, see Finance Circular No. 2008/09 Appropriations for Payment to CAC Act Bodies.

Appropriations – Indigenous Employment Special Account

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

Reducing administered appropriations

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

Loan appropriations

102.76G For more information on loan arrangements, see FinanceBrief 38 – Reporting of pre-2009 loans to other government bodies.

Administered appropriations

102.77G 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.
102.78G 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.
104 Disclosure of Appropriations

Disclosures - general

104.1 Entities must disclose the information contained in the tables below, in accordance with Part K:
   (a) Table A Annual appropriations;
   (b) Table B Departmental and Administered Capital Budgets;
   (c) Table C Unspent annual appropriations;
   (d) Table D Special appropriations;
   (e) Table E Disclosure by agent in relation to annual and special appropriations; and
   (f) Table F Reduction in administered items.

104.2 Tables A to F must be prepared on ‘recoverable GST exclusive’ basis. That is the following are excluded:
   (a) GST on payments that is recoverable from the ATO;
   (b) GST received on taxable supplies that is payable to the ATO; and
   (c) Payments to/refunds from the ATO of GST amounts.

Parliamentary department appropriation acts and emergency acts

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

Table A Annual appropriations

104.4 This table must be prepared on a cash basis.

104.5 The amounts shown must be the same as those set out in the relevant Appropriation Acts.

104.6 This table must include the following adjustments:
   (a) appropriations reduced – reductions under the Appropriation Acts that adjust current year appropriations;
   (b) AFM – appropriated in the current reporting period;
(c) **FMA Act section 30** – repayments for which the associated payment was made from current year appropriation;

(d) **FMA Act section 31** – receipts that have been recorded in the accounts and records of the responsible entity during the reporting period; and

(e) **FMA Act section 32** – only current year appropriation increased or decreased by section 32 determinations.

104.7 The column “Appropriations applied in 20XX (current and prior years)” must include cash payments plus appropriations credited to special accounts for the reporting period. This includes both current and prior year appropriations.

104.8 The following information must be disclosed as footnotes to this table:

(a) a list of the **Appropriation Acts** (including section numbers) supporting amounts disclosed in these columns:

   (i) ‘Appropriations reduced’; and

   (ii) ‘AFM’;

(b) where applicable, a list of determinations by the Finance Minister supporting the amounts disclosed in the table detailing:

   (i) the date of effect; and

   (ii) the amount increased or decreased;

(c) formal additions or reductions recognised as per **Division 101** but at law the appropriation has not been amended during the financial reporting period;

(d) an explanation of all material variances between:

   (i) the appropriation applied in the reporting period; and

   (ii) the amount appropriated (or otherwise authorised) for the current period; and

(e) an explanation of all material administered reductions under:

   (i) section 11 of **Appropriation Act 1, 3 and 5**; or

   (ii) section 12 of **Appropriation Act 2, 4 and 6**.

104.9 The “Total reduction in administered items” for the reporting period in Table F must be disclosed in the column
“Appropriations reduced” in this table in the same reporting period.

**Table B Departmental and Administered Capital Budgets**

104.10 This table must be disclosed by all agencies who receive a Departmental Capital Budget and/or an Administered Capital Budget.

104.11 This table must be prepared on a cash basis.

104.12 The amounts shown must be the same as those set out in the relevant *Appropriation Acts*, Portfolio Budget Statements and Portfolio Additional Estimates Statements.

104.13 The table must include the following adjustments:

(a) appropriations reduced – reductions under the *Appropriations Act* that adjust current year appropriations;

(b) **FMA Act section 32** – only current year appropriation increased or decreased by section 32 determinations.

104.14 The column “Capital Budget Appropriations applied in 20XX (current and prior years)” must include cash payments from both current and prior year appropriations.

104.15 The column “Payments for non-financial assets” must include purchases of assets, expenditure on assets which have been capitalised, costs incurred to make good an asset to its original condition and the capital repayment component of finance leases.

**Table C Unspent annual appropriations**

104.16 Entities must disclose the following:

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

(b) total unspent departmental annual appropriations and total unspent administered annual appropriations.

**Table D Special appropriations**

104.17 Entities must disclose the following for each special appropriation:
(a) authority:

(i) for all special appropriations – the title of the legislation and whether the special appropriation is departmental or administered;

(ii) for special appropriations (limited amount) – limit for reporting period and appropriation lapsed; and

(iii) for special appropriations (FMA Act section 39) – total of prior year investments redeemed in current year and redemptions of current year investments (gross);

(b) type (e.g., unlimited amount, refund, FMA Act section 39 or limited amount);

(c) purpose; and

(d) appropriation applied:

(i) for special appropriations unlimited by amount, limited by amount or refund – the total of cash payments, amounts credited to special accounts less FMA Act section 30 repayments; and

(ii) for special appropriations (FMA Act section 39) – the total investments made during the year.

104.18 Entities must disclose all public money invested in authorised investments under FMA Act section 39 or surplus funds under CAC Act section 18 and 19 in Table D.

104.19 Where investments are made under an Act of Parliament other than FMA Act section 39, Table D requirements must be followed. The name of the relevant Act and section under which the investments were made must be disclosed. The title of the table must be amended appropriately.

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

104.20 Where an entity (‘the spending entity’) has paid money out of the CRF on behalf of another entity (‘the responsible entity’):

(a) the spending entity must disclose the following for each responsible entity:
(i) the name of the responsible entity;
(ii) total receipts and total payments (include departmental and administered items, as well as annual and special appropriations); and
(iii) the relationship between itself and the responsible entity; and

(b) the responsible entity must:
(i) apply the reporting requirements outlined in this schedule; and
(ii) disclose the name of the spending entity as a footnote to the relevant appropriations note tables.

Table F Reduction in administered items

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

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

(a) Table F (current year) - prepared under the new outcome structure; and

(b) Table F (comparative year) - prepared under the old outcome structure.

Adjustment of administered appropriations by Finance Minister

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

(a) for the purposes of column “Appropriations reduced” in Table A – include the reduction as adjusted or subsequently specified by the Finance Minister, and also disclose the adjustment by way of footnote to Table A; and

(b) for the purposes of Table F – a footnote detailing that the required amount has been amended by the Finance Minister and the total amendment.
GUIDANCE

General guidance

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

Table A Annual appropriations

Formal additions or reductions under Division 101

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

104.73G Where an adjustment meets the recognition criteria of a formal addition or reduction in revenue but at law the appropriation has not been amended before the end of the reporting period, the amount recognised in the face statements for accounting purposes will be different to the amount available under law.

104.74G An example would be where an entity under-delivers and subsequently has its revenue reduced, but the appropriation is not amended prior to the end of the reporting period.

Explanation of material variances and reductions – notes to Table A

104.75G For the purposes of section 104.8(d), the following principles apply:

(a) payments from the CRF not authorised by appropriation are always “material in nature” - an explanation is required irrespective of the amount;

(b) where a line item in “ Appropriation applied in 20XX (current and prior years)” column differ to the corresponding line item in “Total appropriation” column by:

(i) a material amount - an explanation is required; and

(ii) an immaterial amount - no explanation is required.

Table C Unspent annual appropriations

104.76G From 2011-12, Table C includes disclosures of unspent departmental and administered annual appropriations by Act. Previously, only the former was required.
104.77G Unspent balances in Table C incorporate adjustments to appropriation under the *Appropriation Acts* and *FMA Act* (e.g. *FMA Act* section 32 transfers), where applicable.

**Table D Special appropriations**

104.78G Table D disclosures are required for all special appropriations irrespective of whether the appropriation has been drawn on. Where a special appropriation has not been drawn on during the reporting period and the comparative period, a dash (‘-‘) is to be placed in the ‘Appropriation applied’ columns for both reporting periods.

104.79G For special appropriations with the type ‘refund’, “Appropriation applied” is the total refunds made under *FMA Act* section 28 (and other legislation where the refunds are similar in nature) by the entity during the year.

**Table F Reduction in administered items**

104.80G For advice on the appropriations reduction process, please contact Appropriations Team (AT), Cash Management Branch, Financial Management Group via AMTMail@finance.gov.au.

**Drawing rights and acting as an agent**

104.81G Where an entity receives an amount from another entity and retains it by increasing its appropriation, then pays this amount on to a third party, it is not acting as an agent. Acting as an agent only occurs when the entity uses drawing rights to directly access the appropriation of another entity.

104.82G For information on third party arrangements, refer to *Finance Circular 2009/07 Issuing and Exercising Drawing Rights*.

104.83G For cross-referencing purposes, where an entity makes disclosures under Table D and at least one other entity has drawn from the same special appropriation, the entity making the disclosures must name those other entities by making the following statement:

“[Other entity/entities] also drew from [special appropriation provision(s)]”

**CAC Entities – Appropriations**

104.84G 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. Authorities must...
not disclose these amounts as appropriations. They are disclosed as administered appropriations by the relevant agency.

104.85G Authorities must disclose these amounts in accordance with the nature of the payment. For example, as revenue, contributed equity, or loans.
Part J OTHER DISCLOSURES

OVERVIEW

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

120 Special Accounts and FMA Act Section 39 Investments

Accounting

120.1 Appropriations that:
   (a) have been received and recognised as income by an entity; and
   (b) are subsequently transferred to a special account of that entity;

must not be recognised again as income to that entity. These transfers are internal transfers.

Disclosures

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

Table A Special accounts

120.3 Table A must be prepared on a cash basis.

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

120.6 Where a special account has not been used during the current and the comparative reporting periods, the entity may make the following footnote disclosures instead of disclosing that special account in Table A:

(a) the title of the special account;
(b) the purpose of the special account;
(c) the authority under which the special account was established;
(d) a statement noting the fact that the special account has not been used during the current and the comparative reporting periods; and
(e) the balance of the special account.

120.7 Where the status of a special account has changed during the reporting period (e.g., the account has been established, varied, revoked or abolished):

(a) the nature and date of effect of each change must be disclosed as a footnote to Table A; and
(b) where the nature of these changes is significant, consideration must be given as to whether two tables should be prepared (one for before the change and one for after the change) to present the information in a true and fair manner.

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

**Table B Investments made under FMA Act section 39**

120.9 For all investments made under *FMA Act section 39*, entities must disclose an overview of investment policy used as a footnote to Table B.

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

General guidance on special accounts

120.71G Investments made through a special account are generally external to the CRF and while 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, they are disclosed in Table B.

120.72G 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.

120.73G For information about special accounts, refer to Finance Circular 2009/01 An Introduction to Special Accounts.

Comcare receipts

120.74G Finance Circular 2006/10 Appropriation Arrangements for Employee Compensation Payments provides detailed guidance on the management of money related to Comcare payments.

Investment policies

120.75G An investment policy overview required by section 120.9 includes some or all of the following:
   (a) investment powers;
   (b) risk profile; and
   (c) length of investment.

Unidentified receipts

120.76G For unidentified receipts refer to the guidance in Division 38.

Indigenous employment special account

120.77G For reporting requirements for agencies involved with the Indigenous Employment Special Account, refer to FinanceBrief 33.

Assets held in trust

120.78G Assets held in trust that form part of the balance of a special account must also be reported in compliance with Division 38.
121 Reporting of Outcomes

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

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

121.3 Entities must disclose the information contained in tables below in accordance with Part K:
(a) Table A Net cost of outcome delivery;
(b) Table B Major classes of departmental expenses, income, assets and liabilities by outcome; and
(c) Table C Major classes of administered expenses, income, assets and liabilities by outcome.

121.4 Tables A, B and C must be disclosed as follows:
(a) expenses, income, assets and liabilities at the outcome level; however, entities may choose to report some or all of this information at a lower level;
(b) amounts in the total column in Tables A, B and C must agree to the corresponding totals in the entity’s statement of comprehensive income, balance sheet and administered schedules where relevant;
(c) entities with only one outcome can omit Tables B and C but must disclose Table A;
(d) major classes disclosed in Tables B and C must match the major classes applicable to the disclosing entity;
(e) there must be a footnote to Table A detailing whether the net costs shown include intra-government costs (e.g., rent paid on Australian Government owned premises or fees for service) that would be eliminated in calculating the actual Budget outcome; and
(f) where an entity has a complex performance reporting framework, Tables B and C can be formatted like the
Outcomes Reporting Table of the Department of Prime Minister and Cabinet’s Requirements for Annual Reports. That is, the outcomes can run down the side of the table and the major classes of expenses, income, assets and liabilities across the top with totals inserted after expenses.

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

**Attribution method**

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

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

**Outcome changes during the reporting period**

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

(a) match the changed outcome to the adjusted outcome arrangements approved through the portfolio additional estimates process and published in the most recent Appropriation Act; and

(b) apportion the expenses, income, assets and liabilities, such that entities report against the original outcome up to the date of the change and against the revised outcome after that date.

**GUIDANCE**

**Comparative information and reclassification of items**

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

**Outcomes tables**

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

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

121.74G Administered income does not include administered appropriations.
122 Compensation and Debt Relief in Special Circumstances

General disclosure

122.1 The disclosures under this division must be prepared in the format prescribed by Part K, even where zero balances occur in both the current and comparative years.

122.2 Entities that have the authority in relation to any of the following items must disclose a note in their financial statements showing expenses and liabilities for that item:

(a) Act of Grace payments made under *FMA Act subsection 33*(1) as approved by the Finance Minister (or delegate);

(b) Tactical Payments Scheme payments made under *Part X of the Defence Act 1903* as approved by the Defence Minister (or delegate);

(c) waivers of amounts owing to the Australian Government, (being amounts that the entity would, but for the waiver, have been entitled to receive on behalf of the Australian Government);
   (i) pursuant to *FMA Act subsection 34*(1); or
   (ii) pursuant to other legislation, which must be specified.

(d) payments made under the *Compensation for Detriment caused by Defective Administration (CDDA) Scheme*;

(e) payments made under approved ex-gratia programs, the nature of which must be identified; and

(f) payments made in special circumstances relating to APS employment pursuant to *section 73 of the PS Act*.

122.3 The note must disclose:

(a) the number of cases and total amount expensed during the reporting period under each of the mechanisms specified under section 122.2; and

(b) the number and aggregate present value of future payments of those cases relating to any provisions at the end of the reporting period under each of the mechanisms specified under section 122.2.
**Act of Grace Payments**

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

**Tactical Payments Scheme Payments**

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

**Debt Waivers**

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

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**GUIDANCE**

**Further information**

122.71G Further information on the various mechanisms for compensation and debt relief can be found in *Finance Circular 2009/09 Discretionary Compensation and Waiver of Debt Mechanisms*. 
**Competitive Neutrality and Cost Recovery**

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

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

123.2 Entities must disclose all receipts derived from cost recovery arrangements in accordance with **Part K**.

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Part K    PRIMA FORMS

OVERVIEW

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

150 PRIMA Forms

150.1 PRIMA Forms set out the prescriptive content, layout, and formatting requirements for all Australian Government entities in compiling and presenting their annual financial statements in compliance with common disclosure requirements of this schedule, the AAS and associated authoritative requirements.

150.2 Compliance with other reporting requirements in Division 8 is required where appropriate to present a true and fair view.

150.3 Entities are permitted:

(a) to include further disclosures as they deem appropriate to meet their stakeholders’ information needs and be reflective of their operations;

(b) to exclude components of the PRIMA Forms that are not relevant to their operations or where no activity in either the current or previous financial reporting period has taken place, unless inclusion is mandatory under another part of this schedule;

(c) to alter or amend the numbering of notes (but not their sequencing) to the financial statements as set out within the PRIMA Forms to ensure the contextual and logical flow of information for stakeholders;

(d) to aggregate line items that are not material; and

(e) to amend disclosures such that they reflect the nature of the entity, its activities, financial results and position as at the reporting date (this includes amending Note 1 of the PRIMA Forms so that it appropriately discloses the entity’s accounting policies).

GUIDANCE

General

150.71G PRIMA Forms does not cover disclosures for the entire set of Australian Accounting Standards, AASB Interpretations or other
reporting obligations (e.g. *Corporations Act 2001*). PRIMA Forms is only intended to cover common disclosure requirements for Commonwealth entities.

**Authoritative status**

150.72G The following PRIMA Forms are policy to this division:

(a) Not-for-Profit PRIMA Forms; and

(b) For-Profit PRIMA Forms.