SUMMARY OF SIGNIFICANT CHANGES
TO THE FINANCE MINISTER’S ORDERS FOR FINANCIAL REPORTING
(INCORPORATING POLICY AND GUIDANCE) AND PRIMA FORMS OF FINANCIAL STATEMENTS APPLYING TO 2010-11

<table>
<thead>
<tr>
<th>Division</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>Amended – throughout the document, sections containing guidance on changes applicable for the first time in 2009-10 (e.g. to Australian Accounting Standards) have either been removed or condensed. In addition, guidance not relevant to the preparation of financial statements has been removed, particularly in relation to appropriations. <strong>No impact.</strong></td>
</tr>
<tr>
<td>1 Legislative Authority</td>
<td>Clarified the status of Annexure A and PRIMA Forms (see sections 1.75G &amp; 1.76G and Annexure A section A.51P). Annexure A is black letter and is therefore mandatory and PRIMA Forms are policy and therefore also mandatory. PRIMA Illustrative is to be treated as guidance only. <strong>Impact:</strong> Subject to paragraph A.2 of Annexure A, entities are required to comply with PRIMA Forms of Financial Statements. This includes disclosures not otherwise required by the Australian Accounting Standards or Finance Minister’s Orders.</td>
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<td>4 Definitions</td>
<td>Added definition for ‘statutory charges’ and ‘departmental supplementation’.</td>
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<td></td>
<td>Removed definitions that are included in the AASB Glossary of Defined Terms. All key terms are to have the same definition as specified in AASs unless specifically defined under Division 4 (see section 4.51P).</td>
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<td></td>
<td>Clarified definition of ‘Own-Source Income’ - for FMA Act agencies, it consists of all income with the exception of annual appropriations and special appropriations. It includes revenue retained under FMA Act section 31 and is adjusted for any repayments made under FMA Act section 28. For CAC Act authorities, it consists of all income except amounts appropriated to the relevant portfolio agency for payment to the CAC Act authority.</td>
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<td></td>
<td>Clarified definition of ‘Financial Report/Statements’ – explicitly stated that additional supplementary information that is not audited does not form part of the financial report/statements.</td>
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</table>
7 Applicable Entities

> Added new section – agencies and authorities that are the parent entity in an economic entity now have an additional option for disclosing parent entity information. This option has been introduced for consistency with recent changes for entities subject to the Corporations Act 2001 (see sections 7.2 and 7.71G).

**Impact:** Parent entities in an economic entity must either continue preparing separate financial statements for the parent entity or disclose parent entity supplementary information as a note to the consolidated financial statements in accordance with the requirements of Corporations Regulations 2M.3.01.

> Removed former section 7.51P – as current business operations are listed in the Determination of Business Operations under Financial Management and Accountability Regulations 1997, the factors to determine whether an activity should be characterised as a business operation in the future are not relevant for financial reporting purposes.

**No impact.**

9 Financial Reporting Structure and Form

> Amended – black letter rearranged to enhance readability.

**No impact.**

> Clarified the practical aspects of the requirement to present a third balance sheet under AASB 101 para. 10(f) (see sections 9.72G to 9.77G).

**Impact:** Entities are only required to prepare a third balance sheet and associated notes where an error, change in accounting policy or reclassification of items impacts on the balance sheet. In addition, associated note information is only required for line items affected by the change. This requirement does not apply to administered disclosures.

13 Rounding Off

> Clarified rounding requirements in Division 13 (including clarification that director and executive remuneration disclosures are to be the nearest dollar).

**No impact.**

15 Departmental and Administered Items: Classification and Reporting

> Clarified – additional guidance and minor edits to criteria for classifying items as departmental or administered (see sections 15.72G and 15.73G).

**No impact.**

> Clarified - an item that is in the nature of both departmental and administered is considered as departmental, unless it can be demonstrated to be predominantly administered (i.e., more than fifty per cent), in which case it is considered as administered (see section 15.74G).

**No impact.**

17 Approved Exemptions

> Added - new exemption for Department of Defence (Defence) (see section 17.16).

**Impact:** Defence is exempt from reporting Star Ranked reservists, who are not employed on a continuous full time service basis (and with remuneration or remuneration package less than $150,000) in the executive remuneration note, provided this is disclosed by way of footnote.
<table>
<thead>
<tr>
<th>Added or new section</th>
<th>Amended, clarified or moved</th>
<th>Removed</th>
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</table>

### 19 Income – General Information (Excluding Appropriations)

- Added – clarification around accounting for the Paid Parental Leave Scheme (see sections 19.1(d) and 19.74G).

**Impact:** Not-for-profit entities are not to record receipts and payments related to the Paid Parental Leave Scheme in the Statement of Comprehensive Income (see Accounting Guidance Note No. 2011/1).

### 20 Expenses

- Added – new section highlighting the existing requirements of AASB 1004 in relation to the transfer of annual and long service leave entitlements (see section 20.73G).

**No impact.**

### 23 Director/Executive Remuneration

- Added the following:
  - clarified treatment of individuals that are both director and senior executive of the same entity (see sections 23.3 and 23.79G);
  - clarified the Division 23 disclosure requirements where parent entities in an economic entity elect to only produce supplementary note disclosure (as outlined in Division 7);
  - explicitly stated that APRA members are excluded from the definition of senior executives and are to be disclosed as directors (see section 23.52P);
  - new requirement to disclose certain non-SES, non-director employees (see sections 23.5(c) and 23.56P).

**Impact:** Agencies are required to:

  - meet the disclosure requirements of Division 23 for directors, senior executives and other employees for both the parent entity and economic entity where applicable (irrespective of whether the parent entity elects only to prepare supplementary note disclosure as permitted by Division 7);
  - disclose individuals who are both directors and senior executives as senior executives in the executive remuneration note (previously they were also disclosed as directors); and
  - disclose the number of employees (who are not senior executives or directors) with a salary plus performance bonus that is greater than or equal to $150,000 excluding those posted (wholly or mainly) or deployed outside Australia during the reporting period.

- APRA is required to disclose APRA members as directors.

**Removed - the ‘first’ table in the executive remuneration note.**

**Impact:** Agencies are no longer required to disclose the number of senior executives by salary band in respect of actual remuneration.
Other changes include:

- remuneration package bands amended from $15,000 to $30,000;
- “base level” of remuneration and remuneration packages for reporting was increased from $145,000 to $150,000;
- separation and redundancy expenses are now part of the new Table A (previously disclosed as footnote);
- clarified disclosure requirements for SES seconded to another entity (see sections 23.11, 23.12 and 23.76G);
- clarified that the part-time senior executives are not excluded from the disclosures in Division 23 (section 23.84G);
- disaggregating disclosures in the new Table B into salary, fixed allowances and performance bonus paid with additional footnote disclosure on variable package elements including performance bonuses; and
- clarified and provided additional guidance on executive remuneration disclosures. For example, requirements for Tables A and B have been rewritten, making it clearer as to what is required to be disclosed in each table.

Impact:

- Removed former section 24.1 – as this is also a requirement of AASB 101 para. Aus138.1.

No impact.

- Amended – formerly entities were required disclose details for heritage and cultural items not recognised as assets. These disclosures have been replaced with the requirement to make similar disclosures for assets accounted for as heritage and cultural assets (see section 37.3).

Impact: Entities are required to disclose the following - description of all heritage and cultural assets.

- Added - new requirement to disclose curatorial and preservation policies for heritage and cultural assets (see section 37.3).

Impact: Entities are now required to disclose curatorial and preservation policies in their financial statements, or a cross-reference to the policies where they are publicly available. These policies must include details on acquisition, preservation, management and disposal of heritage and cultural assets. However, entities are not required to disclose any sensitive material which may be contained in these policies.

- Removed - table of probability factors and table of discount factors used in the shorthand method (former sections 43.56P and 43.57P). These tables will be reported in the ‘Standard Parameters for use in Financial Statements’ published on the Department of Finance and Deregulation’s website.

No impact.

- Amended - previously entities were required to reference the market yield on 10 year Government bonds when determining a discount rate in compliance with AASB 119. The specific reference to the 10 year rate has been removed (see section 44.5).

Impact: Entities can reference the market yield on Government bonds that is suitable for their discount period (which may be the 10 year rate).
<table>
<thead>
<tr>
<th>Section</th>
<th>Changes</th>
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| 45 Financial Instruments | Clarified – nature of disclosures required in relation to assumptions when a valuation technique is used (see section 45.53P).  
**Impact:** Entities are not necessarily required to report quantitative information in preparing the disclosures required by AASB 7.27. |
| 60 Cash Flow Statement | Clarified – added guidance in relation to section 31 receipts and the cash flow statement (see 60.73G).  
**No impact.** |
| 81 Commitments | Clarified – definition of commitments updated to refer to executory contracts rather than contracts equally proportionately unperformed.  
**No impact.** |
| 85 Administered Reporting – General Information | Amended – former sections 85.2 and 85.3 combined (see section 85.2).  
**No impact.**  
Removed – list of specific line items in the administered reconciliation table (former section 85.5). These line items are already specified in the PRIMA Forms of Financial Statements, which are mandatory, so there is no need to replicate them in the black letter of the FMOs.  
**No impact.** |
| 87 Administered Investments | Clarified – conceptually administered investments exist where the Government’s interest is in the nature of subsidiaries, associates and jointly controlled operations/entities rather than being subsidiaries, associates or jointly controlled operations/entities for the purposes of Australian Accounting Standards (see section 87.51P).  
**No impact.**  
Clarified – discounted cash flows and net assets are methods that should be considered in valuing administered investments but their use is not mandatory if another technique is more appropriate (see section 87.72G and 87.73G).  
**Impact:** Entities may consider a range of techniques in valuing administered investments, including but not limited to, discounted cash flows and net assets. |
| 91 Transfer Payments | Removed – former section 91.1 requiring the disclosure of transfer payments as this is already a requirement of AASB 1050.  
**No impact.** |
100 Recognition of Approps – General

> Amended - aligned terminology with new *Appropriation Acts* as follows:
  o ‘Departmental outputs appropriations’ now referred to as ‘Departmental outputs’;
  o ‘Administered expenses’ now referred to as ‘Administered’; and
  o ‘New Administered Expenses’ now referred to as ‘New Administered Outcomes’.

**Impact:** Entities required to use new terminology in any appropriation disclosures.

Clarified - the following *FMA Act* adjustments to appropriation impact on appropriation receivable and not appropriation revenue (see section 100.61P): section 30, section 30A, section 31 and section 32 (prior year appropriation only). Former section 101.13(a) removed and section 101.13(b) amended as consequential changes.

**Impact:** Entities required to review existing practices in relation to these adjustments to appropriations.

Clarified – date control is lost or gained for FMA Act section 32 transfers (see section 100.63P).

**Impact:** Agencies to adjust appropriations for section 32 transfers on later of date of determination and commencement date in determination.

101 Recognition of Approps - Departmental

> Amended – black letter rearranged to enhance readability.

**No impact.**

> Added – guidance on departmental supplementation and departmental capital budgets (see sections 101.3(b)(iii), 101.4(b), 101.82G-84G).

**Impact:** Agencies must account for departmental capital budgets as contributions by owners as owners. Departmental supplementation is accounted for as per the sections above, the key points being that the revenue must only be recognised in the year of the agreement, and from 2010-11, supplementation will be shown as part of the relevant Appropriation Act and not as a separate appropriation item.

> Moved - former section 101.2 moved to section 101.52P.

**No impact.**
<table>
<thead>
<tr>
<th>104 Disclosure of Approps</th>
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<tbody>
<tr>
<td>&gt; Removed – option for agencies to prepare simplified disclosure where a special appropriation is not drawn on in the current and previous year (former section 104.4). The new, simplified Table C <em>Special Appropriations</em> aligns more closely with the level of detail previously required by section 104.4 (see section 104.78G).</td>
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<tr>
<td><strong>Impact:</strong> Agencies are required to disclose special appropriations in the new Table C, irrespective of whether or not the appropriation has been drawn on in the current or previous year.</td>
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<tr>
<td>&gt; Amended – clarified the treatment of GST in the appropriations note (see sections 104.51P and 104.52P).</td>
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<td><strong>Impact:</strong> Agencies are required to prepare the appropriations note on a recoverable GST exclusive basis.</td>
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<tr>
<td>&gt; Added – additional disclosures required if either the Finance Minister adjusts the required amount published in an agency’s annual report or the required amount was not published but was subsequently specified by the Finance Minister (see section 104.68P).</td>
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<td><strong>Impact:</strong> Agencies must disclose details of the amendment by way of footnotes to Table A and E.</td>
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<tr>
<td>&gt; Added – where an agency’s outcome structure changes between financial years, Table E of the appropriations note must be prepared on a different basis (see section 104.69P).</td>
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<tr>
<td><strong>Impact:</strong> Agencies are required to prepare Table E under the new outcome structure for the current year and under the old outcome structure for the comparative year if their outcomes have changed between financial years.</td>
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<tr>
<td>&gt; Amended – significant changes to the appropriations note with former Tables A to G being replaced with the following:</td>
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<tr>
<td>(a) Table A <em>Annual Appropriations</em>;</td>
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<tr>
<td>(b) Table B <em>Unspent Departmental Annual Appropriations</em>;</td>
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<tr>
<td>(c) Table C <em>Special Appropriations</em>;</td>
</tr>
<tr>
<td>(d) Table D <em>Disclosure by Agent in Relation to Annual and Special Appropriations</em>; and</td>
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<tr>
<td>(e) Table E <em>Reduction in Administered Items</em>.</td>
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<td><strong>Impact:</strong> the details of the changes are too numerous to list in this document; please refer to the policy and guidance in Division 104 for the new requirements.</td>
</tr>
<tr>
<td>&gt; Removed – specifications for Tables A to E in the appropriations note. These line items are already specified in the PRIMA Forms of Financial Statements, which are mandatory, so there is no need to replicate them in the black letter of the FMOs.</td>
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<tr>
<td><strong>No impact.</strong></td>
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</tbody>
</table>
| 120 Special Accounts | Removed - reconciliation disclosures for special accounts (former section 120.7(m)).

**Impact:** Agencies are no longer required to disclose the components of the balance of the special account carried to the next period, being the cash held in the OPA and cash held in an agency’s bank account.

- Amended – changes to disclosure of GST in special accounts note to be consistent with disclosures in appropriations note (see section 120.62P).

- **Impact:** Agencies no longer required disclosing FMA Act s30A amounts in the special accounts note, and special accounts are to be disclosed on a recoverable GST exclusive basis.

| 121 Reporting of Outcomes | Moved – former section 121.8 moved to policy (see section 121.51P) and clarified.

**No impact.**

- Removed – description of elements required to be disclosed in Table A, Table B and Table C. These items are already specified in the PRIMA Forms of Financial Statements, which are mandatory, so there is no need to replicate them in the black letter of the FMOs.

**No impact.**

- Removed – explicit statement that outcomes are to be reported as specified in Appropriation Acts and other applicable documentation (former section 121.13).

**No impact.**

| 122 Compensation and Debt Relief in Special Circumstances | Amended – agencies only required to report compensation and debt relief mechanisms where it has the authority to exercise them (see section 122.1).

- **Impact:** Agencies are still required to report nil balances, but where an agency will never have the authority to exercise a mechanism, there is no requirement to disclose it in their financial statements.

| PRIMA Forms of Financial Statements (significant changes not specifically addressed in the FMOs) | Amended – certain line items added, removed and disaggregated in the Schedule of Asset Additions.

**Impact:** Entities are required to separately disclose asset additions to be funded in future years, those funded by departmental capital budgets and those funded by the different components of appropriations other than ordinary annual services. In addition, they are no longer required to separately identify those additions under a finance lease.

- Added – new note “Comprehensive Income (Loss) Attributable to the Agency” to increase transparency around the impact of depreciation/amortisation on an agency’s comprehensive income (loss) position.

**Impact:** Agencies are required to report non- appropriated depreciation/amortisation expenses.