Use of the Coat of Arms

The terms under which the Coat of Arms can be used are detailed on the following website: www.itsanhonour.gov.au/coat-arms.

Contact us

Questions or comments about this guide should be directed to:

Budget Estimates and Accounting
Department of Finance
John Gorton Building
King Edward Terrace
Parkes ACT 2600

Email: accountingpolicy@finance.gov.au

This guide contains material that has been prepared to assist Commonwealth entities and companies to apply the principles and requirements of the Public Governance, Performance and Accountability Act 2013 and associated rules, and any applicable policies. In this guide the: mandatory principles or requirements are set out as things entities and officials ‘must’ do; and actions, or practices, that entities and officials are expected to take into account to give effect to those principles and/or requirements are set out as things entities and officials ‘should consider’ doing.
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Key points

Purpose: The Guide has been developed to assist reporting entities to prepare their financial statements as per the FRR.

Resources

This guide is available on the Department of Finance (Finance) website at www.finance.gov.au.

For the latest legislation, policy and guidance releases for financial reporting by reporting entities, refer to www.finance.gov.au.

Additional references include:

- Financial reporting and accounting policy homepage (incl. Standard Parameters for use in Financial Statements and Primary Reporting and Information Management Aid (PRIMA)) on the Finance website;
- Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB);
- AASB Interpretations;
- AASB Framework for the Preparation and Presentation of Financial Statements;
- Statement of Accounting Concepts (SAC) 1;
- Finance Resource Management Guides;
- Estimates Memoranda issued by Finance;
- Public Governance, Performance and Accountability Act 2013;
- Corporations Act 2001;
- Australian System of Government Finance Statistics (Australian Bureau of Statistics);
- Department of Prime Minister and Cabinet's Requirements for Annual Reports;
- Implementing Machinery of Government Changes: A Good Practice Guide (Australian Public Service Commission); and

For further information please contact accountingpolicy@finance.gov.au.

Introduction

The philosophy adopted in preparation of this guide is that the guide:

(a) will not duplicate or re-state accounting standards;
(b) is not a “training tool”;
(c) aligns with PRIMA for ease of use; and
(d) be written as close to “plain English” as is feasible for a technical document.

Preparers of reporting entity financial statements should apply professional judgement when preparing their financial statements. Reporting entities are responsible for the information
presented in those statements so as to present fairly the entity's financial position, financial performance and cash flows.

This guide is not a step-by-step how to guide for preparing financial statements, but rather aims to explain the reporting requirements provided in the FRR.

The Australian Government Financial Reporting Framework (Annual Reporting)

The FRR sets out the financial reporting requirements for reporting entities to provide for consistency in the preparation of financial statements across the Commonwealth and to enable the preparation of the Australian Government consolidated financial statements.

This guide, developed to support the FRR, provides guidance to assist the preparers of financial statements. It assumes that users are familiar with the requirements of Australian Accounting Standards (AAS) and how to apply them.

The Public Governance, Performance and Accountability Act 2013 (PGPA Act), the FRR and AAS provide the legislative authority for entities to prepare their annual (general purpose) financial statements. The Independent Auditors Report, issued by the Australian National Audit Office, is an assessment of whether the financial statements of an entity have been prepared in accordance with the FRR and AAS.

Content and structure of the Guide

This Guide includes:

(a) relevant extracts from the FRR – the FRR is the legislative instrument that sets out the requirements for how reporting entities complete their annual financial statements; and

(b) additional 'guidance' paragraphs to assist in applying the FRR and supporting policies.

Extracts from the FRR are clearly marked in greyed out boxes in this guide and the 'guidance' paragraphs appear as numbered paragraphs outside the grey boxes.

The content of the guide is as follows:

(a) guidance on the application of AAS in a public sector context. The guide avoids duplication of the content of AAS (with the exception of highlighting significant changes applicable for the first time in the current reporting period);

(b) general information relevant to the development of financial reports (e.g. definitions, rounding and materiality policies);

(c) additional disclosures specific to the public sector not covered by AAS (e.g. appropriations); and

(d) stating the option to apply where AAS provide choice.

The structure of the guide follows these conventions:

(a) major components are parts, denoted by a black shaded heading; and

(b) parts are broken into chapters denoted by a number and are separately identified in the contents page.
**PRIMA Financial Statements**

PRIMA details the disclosures required in financial statements of reporting entities, in accordance with the FRR.

There are three versions of PRIMA as follows:

1. **PRIMA Forms of Financial Statements (PRIMA Forms)** for reporting entities to use to prepare financial statements;
2. **PRIMA Illustrative Financial Statements (PRIMA Illustrative)** which provide an example of the presentation of financial statements with illustrative amounts and text disclosures. This is provided for presentation guidance only (note: PRIMA Illustrative only contains generic disclosures as it is not intended as a comprehensive guide to all disclosures); and
3. **PRIMA Model** that includes PRIMA Forms and PRIMA Illustrative, which is the Excel spreadsheet with additional functionality to enable reporting entities to use it in the preparation of their financial statements (for example, the ability to view Forms/Illustrative in Microsoft Excel, to prepare simple financial statements, and/or convert into the PRIMA Template – a blank set of financial statements).

**Flexibility in applying PRIMA**

Reporting entities should follow the format and structure of PRIMA, particularly the ordering of the notes. Entities should exercise professional judgement and flexibility when considering PRIMA Forms relative to their individual financial statements (see Chapter 8).

In addition, the following are examples of changes to formatting which could enhance readability:

(a) changes to font (e.g. size, use of italics); and
(b) altering the orientation of a table from portrait to landscape or vice versa.

Reporting entities are also encouraged to use professional judgment and apply the following principles to improve their presentation of their financial statements:

1. use the primary statements rather than the notes (e.g. an entity might not want to include information in a note if the note simply restates information from the primary statements);
2. consider the format of note disclosures, particularly the formatting of tables to make information more understandable;
3. review the Summary of Significant Accounting Policies note (Note 1) to ensure that the note does not contain unnecessary information or simply repeat accounting standard information. The note should explain how the requirements relate to the entity; and
4. remove information that is not material.

Where appropriate, entities may wish to discuss the above principles with their auditors when preparing the entity's financial statements.

**Suggested approach to applying the FRR and PRIMA**

The following are suggested steps in applying the FRR and PRIMA when preparing a note to the financial statements:

1. review the PRIMA template for the note in PRIMA Forms that is more comprehensive than the limited disclosures in PRIMA Illustrative.
2. refer to the summary of significant changes to the PRIMA Forms (issued as an information sheet to accompany PRIMA Forms). It is also helpful to compare the current note with the version in PRIMA Forms at the last reporting period to identify minor amendments. Significant changes will also be discussed in the relevant section of the FRR and/or the policy and guidance accompanying the note.

3. review any relevant audit comments from the previous reporting period.

4. review the relevant note disclosures in PRIMA Illustrative. Comparing the final note prepared with an example of how the disclosure can be presented (PRIMA Illustrative) may also be helpful.

For further information about some of the disclosures, entities should read the relevant sections of the AAS, FRR, applicable Estimates Memoranda, Resource Management Guides and other guidance issued by Finance.
Part A  Introduction

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

Part A comprises the following:

- Chapter 1: Legislative Authority - outlines the authority of the Financial Reporting Rule (FRR) under the Public Governance, Performance and Accountability Act 2013 (PGPA Act) and the relevant legislation for those entities who are not subject to the PGPA Act, for whom it is appropriate to prepare financial statements in accordance with the FRR and the period to which this guide applies; and

1. Legislative Authority

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

3 Authority

(1) This rule is made under the Public Governance, Performance and Accountability Act 2013.

(2) For reporting periods ending on or after 1 July 2014, this rule sets out the requirements for the preparation of financial statements under:

(a) subsection 42(2) of the Public Governance, Performance and Accountability Act 2013;

(b) 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;

(c) section 193H 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;

(d) subsections 50B(2) and (4) of the Defence Service Homes Act 1918 in relation to how financial statements must be prepared by the Defence Service Homes Corporation; and

(e) subsections 43(1) and (3) of the Natural Heritage Trust of Australia Act 1997 in relation to financial statements must be prepared for the Natural Heritage Trust of Australia Account.

(3) Some provisions of this rule are made under paragraph 102(1)(b) of the Public Governance, Performance and Accountability Act 2013.

Financial Reporting Rule

1. The purpose of setting out minimum financial reporting requirements for all reporting entities is to promote consistency in financial reporting across the Commonwealth to facilitate comparison between entities’ financial statements and allow for the preparation of the Australian Government’s Consolidated Financial Statements (CFS) as required under the PGPA Act.
2. Financial Reporting Requirements

General
1. This guide is designed to:
   (a) support compliance with AAS and the FRR;
   (b) provide information relevant to the preparation of financial statements (e.g., definitions, rounding and materiality policies);
   (c) include additional disclosures not covered by AAS (e.g., appropriation disclosures); and
   (d) for consistency, applying the accounting treatment, mandated by the FRR, where AAS allows a choice (e.g., mandatory use of the valuation method for material property, plant and equipment and administered disclosures).

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

Cross referencing
3. Each disclosure required by this guide should be cross-referenced with other relevant notes, and/or schedules in accordance with the requirements of AAS (e.g., paragraph 113 of AASB 101 Presentation of Financial Statements). Any other cross-referencing should be included where it provides useful additional information.
Overview
Part B defines key terms and abbreviations used throughout this document.

3. Definitions (definitions with bold text have also been defined in section 5 of the FRR)

Accountable Authority
Each Commonwealth reporting entity has an accountable authority as defined in section 12 of the PGPA Act.

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
An administered investment is defined for the purpose of this guide as an interest by the Australian Government in a subsidiary, associate or joint operation or joint venture that is disclosed in the financial statements of an entity on behalf of the Australian Government.

Administered
Those items that an entity 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. Typical examples include taxes, levies and fines plus grants, subsidies and personal benefit payments.
Refer to Chapter 14 (Departmental and Administered: Classification and Reporting) for further information.

Appropriation
For the purposes of this guide, an authority under any Act or law to draw money from the Consolidated Revenue Fund (CRF), whether or not the law concerned used the word appropriation or appropriated.

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

Australian Government
All Commonwealth entities and Commonwealth companies, as defined by the PGPA Act, and their subsidiaries. The Australian Government also includes the High Court of Australia and the Future Fund Board of Guardians.

Authority
The legal authority (whether express or implied) to exercise a power or function that can be given directly through legislation (e.g. Accountable Authorities’ powers under section 23 of the PGPA Act).
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>Commitments</td>
<td>Commitments are defined as: (a) 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 appropriations.</td>
</tr>
<tr>
<td>Commonwealth</td>
<td>The legal entity of the Commonwealth of Australia, created by the Australian Constitution.</td>
</tr>
<tr>
<td>Commonwealth Entities</td>
<td>As defined in subsection 10(1) and section 11 of the PGPA Act.</td>
</tr>
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<td>Concessional Loan</td>
<td>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.</td>
</tr>
<tr>
<td>Consolidated Financial Statements (CFS)</td>
<td>The CFS for the Australian Government are the annual, end-of-year financial statements prepared under section 48 of the PGPA Act 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 (General Government Sector (GGS), Public Non-Financial Corporations (PNFCs) and Public Financial Corporations (PFCs)).</td>
</tr>
<tr>
<td>Departmental</td>
<td>Those items that the entity has control over. They include the ordinary operating costs and associated funding of Commonwealth entities, and typically include salaries, accruing employee entitlements and operational expenses including depreciation. Refer to Chapter 14 (Departmental and Administered: Classification and Reporting) for further information.</td>
</tr>
<tr>
<td>Departmental supplementation</td>
<td>Supplementation for work entities were directed by government to undertake in a financial year but after the last date for inclusion in the last set of appropriation Acts prepared for the financial year. Entities 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.</td>
</tr>
<tr>
<td>Employee</td>
<td>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 Appendix A of AASB 2 Share-based Payment)</td>
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Finance Accountable Authority

The Finance accountable authority is the Secretary of the Department of Finance.

Finance Minister

Minister for Finance.

Financial Report/Statements

Comprises:

(a) the primary financial statements, schedules and notes required by the FRR and this guide; and
(b) other certificates, reports and notes which are:
   (i) prepared in relation to the non-corporate or corporate entity (where the entity is a parent entity, the economic entity comprising the non-corporate or corporate entity 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 guide is taken to have the same meaning as the term financial statements applied in the PGPA Act.

For-Profit Entity

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)

Grants (from Government)

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 paragraph 3 of AASB 120 Accounting for Government Grants and Disclosure of Government Assistance)

Heritage and Cultural Assets

Assets that are:

(a) used for the community’s benefit;
(b) represent, in part, Australia’s cultural and historic background; and
(c) are primarily used for purposes that relate to their cultural, environmental or historical significance.

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.

Not-For-Profit Entity (NFP Entity)

AASB 102 Inventories defines a NFP entity as an entity whose principle objective is not the generation of profit. A NFP entity can be a single entity or a group of entities comprising the parent entity and each of the entities that it controls.

Own-Source Income

Consists of all income except:

(a) annual appropriations;
(b) special appropriations; and
(c) amounts appropriated to the relevant portfolio entity for payment to the corporate Commonwealth entity (corporate Commonwealth entity payment item).

It includes PGPA Act section 74 retained prescribed receipts and is adjusted for any repayments made under PGPA Act section 77.

Performance Guarantee

A guarantee of another entity’s performance of services to a third party, which may or may not create a financial obligation for the guarantor in the event of non-performance. A performance guarantee is not a financial guarantee.

Personal Benefit Payments

Current transfers for the benefit of individuals or households (for example, child care and family tax benefits), directly or indirectly, that do not require any economic benefit to flow back to Government.

PRIMA

Primary Reporting and Information Management Aid (PRIMA).

Primary Financial Statements

The statement of comprehensive income, statement of financial position, statement of changes in equity and cash flow statement.

Public Financial Corporations

Comprises government controlled corporations and quasi-corporations mainly engaged in financial intermediation or provision of auxiliary financial services. These entities are listed in the flipchart of PGPA Act Commonwealth entities and companies available from Finance’s website.

Public Non-Financial Corporations

Comprises government controlled corporations and quasi-corporations mainly engaged in the production of market goods and/or non-financial services. These entities are listed in the flipchart of PGPA Act Commonwealth entities and companies available from Finance’s website.

Recoverable GST exclusive

Means that the following amounts are excluded from any relevant amounts:

(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.

Refer to Chapter 42 (Appropriations – General Requirements) and Chapter 46 (Special Accounts).
### Reporting entity
An applicable entity as defined in section 6(1) of the FRR (see Chapter 6) for which financial statements must be prepared.

### Resources Received Free of Charge
Goods or services received for no or nominal consideration that would otherwise have been purchased and can be reliably measured.

### Responsible entity
The entity named in the relevant legislation or if not named, the portfolio department, unless determined otherwise by the relevant Minister.

### Standard Parameters
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.

### Statutory charges
Non-reciprocal charges imposed by Government.

### Subsidies

### 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 tax benefit; and
   (iii) age and invalid pensions;

(b) disaster relief; and

(c) grants and subsidies made to other entities.

### AASB glossary
1. Subject to key terms defined in this chapter, all other key terms have the same definition as specified in the 'AASB Glossary of Defined Terms’ issued by the AASB as updated from time to time.
4. 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.

**CFO** Chief Financial Officer or Chief Finance Officer

**CFS** Consolidated Financial Statements (for the Australian Government)

**CRF** Consolidated Revenue Fund

**CSS** Commonwealth Superannuation Scheme

**EM** Estimates Memorandum

**Finance** Department of Finance

**FRR** The Financial Reporting Rule, made under the Public Governance, Performance and Accountability Act 2013, setting out the requirements for the preparation of financial statements under:

- (a) subsection 42(2) of the Public Governance, Performance and Accountability Act 2013;
- (b) 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;
- (c) subsection 193H 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;
- (d) subsection 50B(2) and (4) of the Defence Service Homes Act 1918 in relation to how financial statements must be prepared by the Defence Service Homes Corporation; and
- (e) subsection 43(1) and (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.

Some provisions of the Financial Reporting Rule are made under subsection 102(1)(b) of the Public Governance, Performance and Accountability Act 2013.

**FTE** Full-time Equivalent

**FVTPL** Fair Value Through Profit and Loss
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>GGS</td>
<td>General Government Sector</td>
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<tr>
<td>LSL</td>
<td>Long Service Leave</td>
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<tr>
<td>MSBS</td>
<td>Military Superannuation and Benefits Scheme</td>
</tr>
<tr>
<td>OPA</td>
<td>Official Public Account</td>
</tr>
<tr>
<td>PFC</td>
<td>Public Financial Corporation</td>
</tr>
<tr>
<td>PGPA Act</td>
<td><em>Public Governance, Performance and Accountability Act 2013</em></td>
</tr>
<tr>
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Part C Application and Presentation

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

5. Commencement

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

2 Commencement
This rule is taken to have commenced on 1 July 2014.

General
1. This guide applies to financial statements prepared for reporting periods ending on or after 1 July 2014.
2. These requirements replace previously published Finance Minister’s Orders for Financial Reporting (incorporating Policy and Guidance).
6. Applicable Entities

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

6 Applicable entities
(1) Financial statements must be prepared for the following:
   (a) each Commonwealth entity that is not the parent entity in an economic entity;
   (b) each economic entity, comprising the Commonwealth entity and its subsidiaries; and
   (c) the Therapeutic Goods Administration, separately and in addition to the financial statements for the Department of Health.

Note: Financial statements are not required to be prepared under this rule for
   (a) a company for the purposes of the Corporations Act 2001; or
   (b) the subsidiary of a Commonwealth entity;

   as these are not Commonwealth entities.

(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 Regulation 2M.3.01 of the Corporations Regulations 2001 in a note to the consolidated financial statements of the economic entity.

For-Profit Entity and Not-For-Profit Entity
1. Under paragraph 8 of AASB 1054 Australian Additional Disclosures, an entity is required to disclose whether it is a for-profit or a not-for-profit entity.
2. The distinction between for-profit and not-for-profit (NFP) entities is significant as it has implications for the accounting policies which an entity can adopt.
3. Commonwealth entities are not principally established to generate a profit. Therefore, by default Commonwealth entities are considered to be NFP. The onus is on an entity to make the case to be classified as a for-profit entity.
4. The primary indication that an entity is NFP would be the statements about the objectives of the entity (for example, if the legislation, regulations or constitution of the entity explicitly states that the ‘principal’, ‘main’ or ‘sole’ objective of the entity is other than the generation of a profit, then there is a presumption that the entity is NFP).
5. The five secondary criteria outlined below assist in classifying entities as for-profit or NFP in situations where the principal objective is not explicitly stated:
   (a) Nature of funding;
   (b) Whether financial targets of the entity reflect profit concepts or an objective to be commercially successful;
   (c) Whether the entity has an obligation to pay income tax or income tax equivalents;
   (d) Whether the entity intends to distribute a surplus; and/or
   (e) GFS Classification.
7. Authoritative Requirements and Materiality

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

7 Authoritative requirements and materiality

(1) As per subsection 42(2) of the PGPA Act, the financial statements of each reporting entity must comply with:
   (a) all applicable requirements of this rule, where the information resulting from applying this rule is considered material, or as specifically stated in this rule; and
   (b) applicable AAS and Interpretations issued by the AASB that apply for the reporting period.

(2) For the purposes of paragraph (1)(a), materiality must be assessed in accord with the relevant AAS.

Materiality

1. Entities should present all information necessary so as to present fairly the entity's financial position, financial performance and cash flows. In addition to the requirements of this chapter, entities need to disclose information required by the following parts of this guide, regardless of materiality:
   (a) Part I Appropriations; and
   (b) Chapter 46 Special Accounts;

2. The requirements of the FRR apply where information resulting from their application is material.

3. Assessments of materiality should be performed at the level of the entity preparing the financial statements, not GGS or whole-of-government level.

4. 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.

5. Generally, transactions and items need to be considered in context of an appropriate measurement base (unless an item is deemed to be material by this guide). An appropriate measurement base could be all items in the financial statements, relative items, or classes of items. For example:
   (a) statement of financial position 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 total own-source revenue and total expense figures.

Professional judgement is critical to this assessment process.
8. The PRIMA Forms of Financial Statements (PRIMA Forms)

General

1. Reporting entities should use the structure of PRIMA Forms (including not-for-profit and for-profit versions) to prepare financial statements. The use of PRIMA Forms will aid entities in meeting appropriate disclosures in the financial statements and related notes as per the FRR and AAS.

2. The information disclosures contained in PRIMA Forms should be the minimum information required to be reported and disclosed by reporting entities. However, reporting entities can modify PRIMA Forms to suit their needs as follows:

   (a) include further disclosures as they deem appropriate to meet their stakeholders’ information needs and be reflective of their operations. Any additional information or further disclosures should not contravene AAS;

   (b) 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 guide;

   (c) 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) aggregate line items that are not material; and

   (e) 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).

3. The PRIMA Forms provide templates and guidance to assist reporting entities in preparing their financial statements. Reporting entities are encouraged to present information in a manner that promotes readability and that is relevant for the users of their financial statements. This includes disclosing additional information as deemed necessary.

4. PRIMA Forms does not cover disclosures for the entire set of AAS, AASB Interpretations or other reporting obligations (e.g. Corporations Act 2001). PRIMA Forms is only intended to cover common AAS disclosure requirements for reporting entities.
9. Other reporting requirements

General

1. The financial statements of each reporting entity should consider and apply:
   (a) Statement of Accounting Concepts (SAC) 1;
   (b) The AASB Framework for the Preparation and Presentation of Financial Statements; and
   (c) Other guidance issued by Finance relevant to the preparation of financial statements.

2. The principles contained in the above relevant documents, although not set out explicitly in the FRR, are of such importance that, they need to be considered in the financial reporting preparation process.

3. Reporting entities should be able to demonstrate, if required, that they have considered the principles outlined in the above documents, provided them due weight, and determined their situation. Entities should document their reasoning for discussion with their auditors.

SAC and Framework for the Preparation and Presentation of Financial Statements

4. By themselves the SAC and the Framework for the Preparation and Presentation of Financial Statements are not mandatory in the preparation or presentation of a reporting entity’s financial statements. The SAC and the Framework are sources of guidance to which entities should make reference if there is no AAS or Interpretation (refer to AASB 1048 Interpretation of Standards) dealing with an accounting treatment or disclosure issue.

Changes in accounting policies

5. Each change in accounting policy must be disclosed separately in the financial statements.

10. Retention and Maintenance of Accounting Records

General

1. As per section 41 of the PGPA Act, reporting entities must maintain proper accounting records to support all disclosures required by the FRR, including the preparation of annual financial statements under sections 42 and 48 of the PGPA Act.

2. Proper accounting records of all transactions must be maintained in accordance with applicable legal requirements, which in addition to the above requirement include:
   (a) sections 9 and 12 of the Electronic Transactions Act 1999; and
   (b) section 24 of the Archives Act 1983.
11. Application of Tiers of Australian Accounting Standards and Early Adoption of Accounting Pronouncements

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

18 AASB 1053 Application of Tiers of Australian Accounting Standards

When applying AASB 1053 Application of Tiers of Australian Accounting Standards in preparation of financial statements, all reporting entities must apply Tier 1 reporting requirements.

19 Early adoption of accounting pronouncements

(1) A reporting entity must have approval from the Finance accountable authority if they wish to adopt an AAS or AASB Interpretation earlier than its effective date of application other than as permitted or required by this rule.

(2) The Finance accountable authority may instruct one or more entities to early adopt an AAS or AASB Interpretation.

Early adoption

1. Entities must seek approval from the Finance accountable authority for early adoption of a new AAS due to the potential effect on the preparation of the CFS.
12. Rounding Off

General rounding rules
1. Subject to the exceptions listed at paragraphs 3 and 4 below, 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.

2. Subject to the exceptions listed in paragraphs 3 and 4 below, the rounding thresholds in paragraph 1 above:
   (a) may be applied separately for departmental and administered reporting; and
   (b) need to be consistently applied within departmental and administered reporting regardless of whether rounding is different between departmental and administered disclosures.

Exceptions to the general rounding rules
3. For appropriations (Part I), special accounts (Chapter 46) and outcomes (Chapter 47) disclosures, the following rules apply:
   (a) they should not be rounded to the nearest $1 million; and
   (b) rounding should be consistent between departmental and administered reporting (where the application of paragraph 1 results in different levels of rounding to departmental and administered reporting, the lower level of rounding should be applied).

Rounding Off
4. The level of rounding should be prominently displayed and repeated so that a proper understanding of the information presented can be attained.
5. These rounding provisions apply only to the preparation of financial statements and not to supporting accounting records.
6. Materiality needs to be considered prior to rounding to ensure rounding does not affect whether or not the item is considered material.
7. Where the following items are disclosed as a nil balance due to rounding, that fact should be disclosed:
   (a) appropriations under Part I; and
   (b) special accounts under Chapter 46.
13. Certificates and Assurance

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

10 Certificates and assurance

As per subsection 42(3) of the PGPA Act, each reporting entity must present a statement signed by a member of the accountable authority and the entity CFO, stating:

(a) whether the financial statements, in their opinion, comply with subsection 42(2) of the PGPA Act;
(b) whether the financial statements, in their opinion, have been prepared based on properly maintained financial records as per subsection 41(2) of the PGPA Act;
(c) for reporting 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 comply with subsection 42(2) of the PGPA Act, the reasons for including this additional information and the location of the additional notes in the financial statements;
(e) the particulars of any exemptions of this rule applied by the reporting entity in the financial statements;
for corporate Commonwealth entities, that the statement has been made in accordance with a resolution of the members of the accountable authority; and
(f) the date on which the statement is made.

Certification

1. The accountable authority may state ‘signed for and on behalf of and in accordance with a resolution of the directors’.
2. An entity is required to disclose additional information as necessary so as to present fairly the entity’s financial position, financial performance and cash flows under section 10 of the FRR and under subsection 42(2) of the PGPA Act.
3. Commonwealth entities and Commonwealth companies in the General Government Sector (GGS) are required to provide an annual report on compliance (Compliance Report) under the PGPA framework to the Finance Minister as well as the entity’s responsible Minister.
4. Signed statements referred to in section 10 of the FRR are different to the certification expected from the accountable authority of a non-corporate entity or a corporate entity in the GGS under a Compliance Report. For information on Compliance Reports, refer to Resource Management Guide 208 – PGPA Framework Compliance Reporting.

Non-corporate Commonwealth entities and payment of debts

5. Under section 15 of the PGPA Act, the accountable authority of a Commonwealth entity is responsible for the overall financial management of the entity, including the proper use and management of public resources in a way that promotes the financial sustainability of the entity (i.e., managing the risks, obligations and opportunities of the entity).
6. It is not necessary that a non-corporate Commonwealth entity continue in its current form to enable a statement to be made about payment of debts. If the non-corporate Commonwealth entity is abolished or substantially restructured, an alternate entity would
be responsible for paying remaining debts. As a starting point, if the accountable authority of the non-corporate Commonwealth entity is able to sign the Compliance Report, the requirement regarding payment of debts is likely to be satisfied. Refer to Resource Management Guide 208 – PGPA Framework Compliance Reporting for more information about Compliance Reports.
14. Departmental and Administered: Classification and Reporting

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

8 Departmental and administered: classification and reporting

(1) This rule applies to both departmental and administered reporting unless otherwise specified.

(2) Reporting entities must distinguish between ‘departmental’ and ‘administered’ in the financial statements for all disclosures outlined in this rule.

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

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

(5) Reclassification of an existing item is not a change in accounting policy.

(6) Unless directed by legislation, Cabinet or the Finance Minister, corporate Commonwealth entities must not recognise monies collected on behalf of the Commonwealth as an administered revenue or asset. The relevant non-corporate Commonwealth entity will make the appropriate disclosures.

Note: Corporate Commonwealth entities are legally separate from the Commonwealth whereas non-corporate Commonwealth entities are part of the Commonwealth.

General

1. Corporate entities are legally separate from the Commonwealth. As such, corporate entities have control of all of their assets and liabilities, income received and expenses incurred and therefore undertake departmental reporting only.
15. **Exemptions from the FRR**

<table>
<thead>
<tr>
<th>Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015</th>
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<tbody>
<tr>
<td><strong>11 Exemptions from requirements in this rule</strong></td>
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<tr>
<td>(1) The Finance Minister may grant a written exemption to the accountable authority, from any specified requirements of this rule.</td>
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<tr>
<td>(2) An exemption must not be applied if it results in non-compliance with AAS.</td>
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<tr>
<td>(3) An exemption may be granted subject to conditions, including a requirement for alternative forms of disclosure.</td>
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<tr>
<td>(4) The accountable authority must disclose the particulars of any exemptions applied by the reporting entity in the financial statements.</td>
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<tr>
<td>(5) Where a reporting entity elects to apply any exemptions granted by the Finance Minister, information that would otherwise be reported must be available for consolidation into the Australian Government consolidated financial statements.</td>
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**Exemptions not applied by an entity**

1. An exemption that has been granted but not applied by the entity does not have to be disclosed under subsection 11(4) of the FRR.

**Exemptions from the FRR**

2. In accordance with this chapter, reporting entities may apply to the Finance Minister for an exemption from specific FRR requirements. Exemptions may be granted subject to conditions, including a requirement for alternative forms of disclosure. However, requests for an exemption will not be granted by the Finance Minister if they would result in potential breaches of the FRR or PGPA Act or non-compliance with an AAS, as this would result in a qualified audit opinion. Entities should note that material non-compliance with AAS could also breach the PGPA Act.

**Process to apply for an exemption**

3. Reporting entities seeking an exemption from specific FRR requirements must provide a written request to Budget Estimates and Accounting at accountingpolicy@finance.gov.au. Requests must be approved by an entity’s CFO (or another Senior Executive responsible for the preparation of financial statements) and include:
   (a) a rationale for the exemption;
   (b) an indication of the time period for which the exemption is required (e.g. current reporting period only or ongoing); and
   (c) the relevant section(s) of the FRR.

4. Finance will review the request and then if appropriate seek approval from the Finance Minister on behalf of an entity. Entities must demonstrate a genuine need for an exemption.

**Location of approved exemptions**

5. A list of approved exemptions that apply to the reporting period will be available on the Finance website.
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 and operating lease disclosures, as well as disclosure of senior management personnel remuneration.

Appropriations are addressed in Part I.

16. Statement of Comprehensive Income

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

12 AASB 101 Presentation of Financial Statements

When applying AASB 101 Presentation of Financial Statements in preparation of financial statements, reporting entities must present all items of income and expense recognised in a period in a single statement of comprehensive income.

Single statement of comprehensive income

1. AASB 101 Presentation of Financial Statements 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).

2. Section 12 of the FRR removes option (b) for reporting entities.

3. Not-for-profit entities should adopt the Net Cost of Services (NCOS) format for the statement of comprehensive income consistent with PRIMA Forms.
### 17. Income (Excluding Appropriations)

#### Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

**14 AASB 120 Accounting for Government Grants and Disclosure of Government Assistance**

(1) When applying AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* in preparation of financial statements, reporting entities that are 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.

(2) To the extent that receipts under the Paid Parental Leave Scheme are regarded as income, paragraph (1)(c) does not apply to these receipts.

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**Grants**

1. *AASB 120 Accounting for Government Grants and Disclosure of Government Assistance* provides a number of options in accounting for government grants. *Section 14 of the FRR* removes the alternative options for for-profit entities, except in respect of Paid Parental Leave transactions.

2. *AASB 120 Accounting for Government Grants and Disclosure of Government Assistance* 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**

3. Further information on accounting for the Paid Parental Leave Scheme can be found in *Resource Management Guide 116 – Accounting for the Paid Parental Leave scheme by Commonwealth employers*. 
18. Expenses – General Information

Reimbursements

1. Subject to paragraph 2 of this Chapter, 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 Resource Management Guide 108 - Receipts collected by non-corporate Commonwealth entities.

2. Where an expense has been incurred by the Department of Foreign Affairs and Trade (DFAT) on behalf of another Commonwealth entity, and DFAT has subsequently been reimbursed by that entity, DFAT may record the reimbursement as a reduction in the applicable expense item irrespective of which year the reimbursement is received.

Transfer of annual and long service leave entitlements

3. Paragraph 42(b) of AASB 1004 Contributions 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).

4. 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 should not be recognised as revenue.
19. Borrowing Costs

| Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 |
| 15 AASB 123 Borrowing Costs |
| When applying AASB 123 Borrowing Costs in preparation of financial statements, reporting entities that are not-for-profit entities must expense borrowing costs as incurred. |

General

1. Paragraph Aus8.1 of AASB 123 Borrowing Costs allows not-for-profit Commonwealth 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.

2. Section 15 of the FRR removes the option to apply the alternative treatment under AASB 123 Borrowing Costs.
20. Operating Leases

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

2. In relation to accounting treatment by the lessee, refer to Resource Management Guide 110 - Accounting for operating lease expenses and incentives.

Lease incentives

Identifying leases
4. 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 issued by the AASB.
21. Senior Management Personnel Remuneration

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

27 Senior management personnel remuneration

(1) The senior management personnel remuneration disclosure note for reporting entities must be prepared using actual senior executive and director remuneration expenses (on an accrual basis).

(2) A reporting entity is not required to prepare disclosures under this section for senior executives or directors subject to a fee-for-service contract arrangement where the entity is not the direct employer.

(3) For the purpose of this section, individuals on secondment must be disclosed by the receiving entity only.

(4) Reporting entities must disclose the total number of senior management personnel that are included in the senior management personnel remuneration disclosure note.

Definitions

1. Definitions for the purpose of this chapter are as follows:

**Director**

Director of a corporate Commonwealth entity including a Commonwealth company, executive or otherwise.

**Fee-for-service arrangement**

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

**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 management personnel**

Senior management personnel perform a senior manager role and have the authority and responsibility for planning, directing and controlling the activities of the reporting entity. Senior management personnel include substantive senior managers and star ranked military officers (excluding part-time star ranked military reservists). Entities should exercise professional judgment in deciding if long-term acting arrangements should be included (subject to restriction under section 27(2) of the FRR).

**Senior management personnel remuneration**

Includes all ‘employee benefits’ as defined in AASB 119 Employee Benefits.
Senior Manager includes Directors (see definition on previous page), Accountable Authorities, Senior Executive Service (SES) and equivalent officers classified in Groups 9-11 of the Public Service Classification Rules 2000 and star ranked military officers.

Star ranked military officers are:
(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.

Star Ranked Military Officers
2. Notwithstanding subsection 9(1) of the PGPA Rule, the remuneration of star ranked military officers (excluding part-time star ranked military reservists) posted to the Defence Materiel Organisation (DMO) is reported by the Department of Defence (Defence). Additional information should be provided where appropriate by Defence and the DMO to indicate the resources used.

Measurement
3. Senior management personnel remuneration is to be measured in accordance with AASB 119 Employee Benefits with the exception of superannuation which is to be measured as follows:
   (a) individuals in a defined superannuation contribution scheme (e.g., PSSap) - superannuation should include defined superannuation contribution amounts typically located on payslips of individuals; and.
   (b) individuals in a defined superannuation benefit scheme (e.g., PSS and CSS) - superannuation should include the Notional Employer Contribution Rate (NECR) amount and the Employer Productivity Superannuation Contribution (also known as the Productivity Component).

Promotion during the reporting period
4. Where an individual is promoted to a senior manager position during the reporting period, all remuneration earned prior to the promotion is excluded from calculations for the purpose of this chapter.

Disclosure - total number of senior management personnel
5. The total number of senior managers to be included in the senior management remuneration note (subsection 27(4) of the FRR) is calculated as the total number of individuals who have remuneration included in the senior management personnel remuneration table. Entities may need to provide an explanation if the total number of senior managers appears unusual or warrants additional explanation (e.g., the reporting entity had a high number of part-time Directors or many senior managers were promoted during the year).
Secondment arrangements

6. The essence of a secondment arrangement is that:
   (a) in the case of an APS employee, they formally remain an employee of the home
       entity but are assigned duties 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
       employer.

7. 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.
   For the purposes of this note these amounts should only be reported by the host
   employer.

8. For the senior management personnel remuneration note, 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 is to be obtained from the home entity.

Remuneration for individuals who are both a director and senior manager

9. Where an individual is both a director and senior manager of the same entity, the
   individual’s remuneration will be reported for both roles to reflect their remuneration in a
   senior management personnel function.

10. To illustrate the above paragraph, an individual, who:
    (a) was a senior manager for the first six months of the reporting period (remuneration
        of $100,000 during this period);
    (b) subsequently was both a director and senior manager for a period of three months
        (remuneration of $40,000 and $50,000 for the senior manager role and director
        role, respectively during this period); and
    (c) continued as a director but ceased being a senior manager for the rest of the
        reporting period (remuneration of $20,000 during this period);

    the individual’s net remuneration of $210,000 for the period would be disclosed.

Part-time senior managers

11. Senior managers who work part-time and who meet the relevant inclusion criteria are not
    excluded from any of the disclosures in this chapter.

Senior management personnel remuneration note

12. The note is to include the leave expenses for the period, not leave provisions.

13. To illustrate the above, if an employee:
    (a) is entitled to 3 weeks leave from prior years,
    (b) accrues an additional 4 weeks leave during the reporting period, and
    (c) takes 2 weeks leave during the reporting period,

    then the amount included in the note would be the value of the additional 4 weeks accrued
    or earned.
14. Leave balances transferred from other entities are not to be included where they only impact on the provision rather than the expense in accordance with AASB 1004 paragraph 42.

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

16. Leave paid out on separation is excluded from the note.

17. The major categories of employee benefits in the note are to be determined by individual entities. Entities are strongly encouraged to use the following four major categories:
   (a) short-term employee benefits (e.g., salary and performance bonus would be classified as sub-categories under the major category);
   (b) other long-term employee benefits (e.g., annual leave, long-service leave, long-term disability benefits, profit-sharing, and bonuses would be classified as sub-categories under the major category);
   (c) post-employment benefits (e.g., superannuation, post-employment life insurance and post-employment medical care would be classified as sub-categories under the major category); and
   (d) termination benefits.

Other Disclosures

Secondment arrangements

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

Consolidated financial statements

19. When preparing the consolidated financial statements for an economic entity, the parent entity is required to separately disclose the senior managers and directors of the following in accordance with the requirements of this chapter:
   (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 section 6 of the FRR).
22. Remuneration of Auditors

General
1. The general requirement to disclose remuneration of auditors is contained in paragraphs 10 and 11 of AASB 1054 *Australian Additional Disclosures*.
2. A separate note is not required where audit services have been provided free of charge. The fair value of audit services provided free of charge should be shown under the 'Other Revenue' item in the Statement of Comprehensive Income with a corresponding expense.
3. Performance audits conducted by the ANAO are not services provided to the reporting entity.
Part E Statement of Financial Position

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

23. Financial Assets - General Information

Appropriations receivable
1. Appropriations receivable are measured at their nominal amounts. Being non-contractual, they are not financial instruments under AASB 139 Financial Instruments: Recognition and Measurement. Therefore, the fair value measurement and disclosure requirements in AASB 13 Fair Value Measurement do not apply to appropriations receivable.
2. Appropriations receivable must be assessed for impairment using AASB 136 Impairment of Assets. However, impairment expenses are unlikely to occur since amounts not expected to be available would normally be addressed by applying section 40 of the FRR.
24. Receivables for Statutory Charges

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

20 Receivables for statutory charges

Receivables for statutory charges must be assessed for impairment under AASB 136 Impairment of Assets.

General

1. Receivables for statutory charges (such as taxes) are assessed for impairment under AASB 136 Impairment of Assets as they are not financial instruments under AASB 139 Financial Instruments: Recognition and Measurement, being non-contractual.

2. Receivables for statutory charges are normally 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.

3. In some cases, due to the number of receivables for statutory charges, it is not practicable to assess all receivables individually. Paragraph 23 of AASB 136 Impairment of Assets 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.
25. Valuation of Non-Financial Assets

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

17 Valuation of non-financial assets (AASB 116 Property, Plant and Equipment, AASB 138 Intangible Assets, AASB 140 Investment Property)

(1) When applying AASB 116 Property, Plant and Equipment, AASB 138 Intangible Assets or AASB 140 Investment Property in preparation of financial statements, reporting entities must apply subsections (2) to (5).

(2) Unless required by the applicable standard to be measured otherwise, subsequent to initial recognition entities must measure every type of asset listed below at fair value in accordance with AASB 116 or AASB 140 as applicable:

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

(3) Immaterial other property, plant and equipment may be measured at cost.

(4) Intangible assets must be valued by class in accordance with AASB 138, at:

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

(5) Investment property must be revalued annually in compliance with AASB 140.

(6) Defence weapons platforms may be valued at cost.

(7) For-profit entities or a reporting entity that is a university may elect not to apply the requirements relating to the valuation of non-financial assets in subsections (1) to (5).

Asset recognition, valuation and depreciation

1. Either the gross or net approach to disclosing revalued assets may be used as permitted by paragraph 35 of AASB 116 Property, Plant and Equipment.

2. For more guidance on assets held for sale as defined in AASB 5 Non-current Assets Held for Sale and Discontinued Operations, refer to Resource Management Guide 111 – Accounting for non-current assets held for sale.

3. For information on accounting for subsequent expenditure on property, plant and equipment, refer to Resource Management Guide 113 – Accounting for subsequent expenditure on property, plant and equipment.

4. Refer to Resource Management Guide 121 – Accounting for land under roads for more information on land under roads.

5. A class of assets is defined by AASB 116 Property, Plant and Equipment 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 subsection 17(2) of the FRR 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 subsection 17(2) of the FRR are not automatically synonymous with classes.
6. Internally developed software is separable as defined by AASB 138 *Intangible Assets* and hence can be recognised as an asset when it meets the criteria under paragraphs 21 and 57 of AASB 138 *Intangible Assets*. For more guidance on accounting for internally developed software refer to *Resource Management Guide 109 – Accounting for internally developed software*.

7. Each non-financial asset held at fair value listed in subsection 17(2) of the FRR or recognised in compliance with subsection 17(4)(b) of the FRR, 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.

8. Where valuation is at fair value, AASB 13 *Fair Value Measurement* sets out the requirements for such measurement.

9. AASB 116 *Property, Plant and Equipment* does not require fair value measurement for assets under construction (or work in progress amounts). Therefore, the fair value measurement disclosure requirements in AASB 13 *Fair Value Measurement* do not apply to such assets.

10. *Subsection 17(3) of the FRR* allows an entity to measure immaterial other property, plant and equipment at cost in accordance with paragraph 29 of AASB 116. This would then require those assets to be disclosed as a separate class of non-financial assets (e.g. minor property, plant and equipment).

11. In choosing the valuation model for immaterial property, plant and equipment, consideration should be given to the cost of valuations against the benefit of doing so. An entity will also need to exercise professional judgement to assess whether immaterial property, plant and equipment at an individual item remains immaterial for the total class of assets.

12. A change of valuation of immaterial (or minor) other property, plant and equipment from fair value to cost is a change in accounting policy. If a reporting entity was to change an accounting policy for immaterial (or minor) property, plant and equipment from fair value to cost, then this would require the entity to return the item to original cost less accumulated depreciation and amortisation, not simply a cessation of revaluation.

13. For the purposes of *subsection 17(6) of the FRR*, Defence weapons platforms cover specialist military equipment including military support items.
26. Impairment of Non-Financial Assets

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

22 Impairment of non-financial assets

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

Generation of cash inflows

1. 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 Impairment of Assets.

2. Non-corporate Commonwealth entity receipts retained under PGPA Act section 74 are included for the purpose of determining whether entities are cash-generating units under AASB 136.

Impairment process

3. Not-for-profit entities should refer to paragraph Aus32.1 of AASB 136 Impairment of Assets in respect of non-cash generating assets whose economic benefits would be replaced if the entity was deprived of them.

4. Impairment under AASB 136 Impairment of Assets 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

5. 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 paragraph 12 of AASB 136 Impairment of Assets.

6. Where an asset is assessed for impairment, some of the minimum impairment indicators specified in AASB 136 Impairment of Assets 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.
27. Analysis of Non-Financial Assets

General

1. Notes to the financial statements should include the following presented in accordance with PRIMA Forms:
   (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.

2. Reporting entities may combine tables required by this chapter where it is considered appropriate to simplify disclosure. Sufficient information and sub-total columns need to be disclosed to enable reconciliation of amounts to the corresponding line items disclosed on the statement of financial position.
28. Heritage and Cultural Assets

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

21 Heritage and cultural assets

(1) 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.

(2) Heritage and cultural items must only be recognised as assets where they meet the asset definition and recognition criteria set out in AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets.

30 Heritage and cultural assets

(1) When a reporting 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.

(2) Where this information is publicly available, reporting 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.

Definition

1. Heritage and cultural assets are defined in Chapter 3 (Definitions). Heritage and cultural items do not include structures constructed to assist with the display, transport or storage of the asset.

2. 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.

3. 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

4. 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.

5. 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

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

7. In accordance with paragraph G3 of AASB 116 Property, Plant and Equipment, where appropriate curatorial and preservation policies are established and implemented, 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 Australian...
Implementation Guidance to AASB 116 *Property, Plant and Equipment* and only depreciate these assets where they are determined to have a limited life.

**Primary use of assets**

8. One example of an item subject to subsection 21(1) of the FRR is buildings of historical interest that are used primarily to provide office accommodation. These should not be accounted for as heritage and cultural assets.

9. 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**

10. When disclosing the information required by subsection 30(1) of the FRR, entities are not required to disclose sensitive material (e.g. information about fraud/theft prevention) if contained in the same document as curatorial or preservation policies.

11. For the purposes of this chapter, the term ‘government department’ referred to in the statement listing pertinent entities in Australian Implementation Guidance to AASB 116 *Property, Plant and Equipment* means a reporting entity as defined in the FRR.
29. Assets Held in Trust

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

31 Assets held in trust

(1) Financial statements of reporting entities must include a note giving particulars of financial 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.

(2) The note referred to in subsection (1) must contain 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.

(3) Where a reporting entity holds non-monetary assets in trust, the entity need only provide a general description of those assets as part of the disclosure note.

Trust disclosure

1. This chapter 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.

2. All trust accounts should be identified by the type of trust (beneficiary or other third party purpose) and disclosed in the notes to the financial statements.

Special accounts

3. Entities must report assets covered by subsection 31(1) of the FRR that stand to the credit of a special account in the notes to the financial statements for special accounts (see Chapter 46 (Special Accounts)). A footnote in the assets held in trust note should cross reference to the relevant special account note.

Unidentified receipts

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

5. Contact Reporting and Resourcing within Finance via receipts@finance.gov.au for additional information and guidance.

Other CRF money held persons outside the Commonwealth

6. The guidance in Chapter 34 (Financial Instruments) contains information in relation to other CRF money held by persons outside the Commonwealth.
30. Liabilities – General Information

Liabilities

1. 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.

2. 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.

3. 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

4. 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.

5. While most obligations are legal, others are constructive. A constructive obligation is defined in paragraph 10 of AASB 137 Provisions, Contingent Liabilities and Contingent Assets. A constructive obligation 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’)

6. For guidance on accounting for decommissioning, restoration and similar provisions (‘make good’), refer to Resource Management Guide 114 – Accounting for decommissioning, restoration and similar provisions (‘make good’).

Social benefit payments

7. Social benefits payments should be recognised at the point when recipients have met the eligibility criteria for the payment period and the payment or other benefit is due (the ‘due and payable’ basis). This usually means recognising an expense for each regular (e.g. fortnightly) cash payment and an end of period liability for any accrued entitlements.

8. Further information about social benefit payments can be found in Resource Management Guide 124 Accounting for social benefit payments.
31. Liabilities Relating to Dividends

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

23 Liabilities relating to dividends

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

(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 reporting entity’s reporting date.

(3) Where a reporting 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.

General

1. Enabling legislation normally sets 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.

2. 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 to create a liability. A liability for dividends arises at the reporting date when the amount is known.

3. In accordance with paragraphs 12 and 13 of AASB 110 Events after the Reporting Period, 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 Presentation of Financial Statements.
32. Employee Benefits

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

24 Employee benefits

(1) In calculating long service leave (LSL) liability, reporting entities with:

(a) less than or equal to 1,000 full-time equivalent (FTE) employees can use the shorthand method (as per the Commonwealth Entity Financial Statements Guide); and

(b) greater 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 (as per the Commonwealth Entity Financial Statements Guide).

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

Measurement

Additional costs

1. Entities need to make an allowance for additional costs (e.g., superannuation costs) expected to settle leave provisions.

2. The recommended approach to calculate additional costs is:

   \[
   \text{additional costs} = \text{total estimated liability} \times (X \times Y)
   \]

   Where:

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

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

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

4. 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**

5. 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).

6. 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.

7. Each employee’s LSL entitlement should 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. An adjustment is relevant if the LSL is converted to dollars using a daily rate but an adjustment is not required if the LSL is converted to dollars using an annual salary.

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

8. 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 paragraph 17)

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

9. For each employee, multiply “A” from Step 2 by the factor determined by reference to the LSL – Table of Discount Factors (see paragraph 17).

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

11. Where discount or salary growth rates:
   - (a) are within range of rates presented in the table, entities need to 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 should consult with Budget Estimates and Accounting in Finance and obtain actuarial advice.

**Step 4: Calculate the estimated LSL liability for the entity**

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

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

The shorthand method

14. The shorthand method, in this chapter, was developed by the Australian Government Actuary in the mid-1990s and last reviewed in July 2010.
Sick leave

15. Where sick leave (referred to as ‘personal/carer’s leave’ within the *Fair Work Act 2009*) 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

16. Consistent with subsection 25(2) of the FRR, reporting entities should use the market yields (at the end of the reporting period) on government bonds to discount employee benefits.

LSL - probabilities and discount factors tables

17. The LSL – Table of Probability Factors (referred to in paragraph 8 of this Chapter) and the LSL – Table of Discount Factors (referred to in paragraph 9 of this Chapter) are available in the Standard Parameters for use in Financial Statements.
33. **Measurement and Disclosure of Post Employment Plans**

**Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015**

**25 Measurement and disclosure of post employment plans**

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

(2) The market yield on Australian Government bonds must be referenced when determining a discount rate for employee benefits under AASB 119 Employee Benefits.

**Public Sector Superannuation Scheme (PSS), Commonwealth Superannuation Scheme (CSS) and military superannuation schemes (including the Military Superannuation and Benefits Scheme (MSBS))**

(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).

(4) Reporting entities making contributions for employees to 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.

(5) Reporting 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.

**PSS accumulation plan disclosures**

1. The PSS Accumulation Plan is considered a defined contribution plan from the point of view of both the reporting entity and the whole-of-Government.
34. Financial Instruments

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015


(1) When applying AASB 7 Financial Instruments: Disclosures, AASB 132 Financial Instruments: Presentation and AASB 139 Financial Instruments: Recognition and Measurement in preparation of financial statements, reporting entities must apply subsections (2) to (8).

Classification

(2) Unless otherwise required under AASB 139, where an active market exists:

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

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

(3) 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 at FVTPL.

Impairment losses

(4) 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

(5) 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.

(6) 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

(7) For regular way purchase or sale, entities must apply trade date accounting.

Market risk sensitivity analysis

(8) Where sensitivity analysis is required, entities must use the standard rates referenced in the Standard Parameters issued by Finance, unless Finance approves otherwise.
### Summary of the types of financial instruments

1. The table below provides a summary of the types of financial instruments. This is an indicative list only and AASB 139 *Financial Instruments: Recognition and Measurement* 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.

<table>
<thead>
<tr>
<th>Categories</th>
<th>Examples</th>
</tr>
</thead>
</table>
| • Financial asset or financial liability at FVTPL | • Speculative share portfolio  
• Forward exchange contracts  
• Interest rate swap  
• Call options  
• HECS Help Loans (because of embedded derivatives) |
| • Held-to-maturity | • Government bonds  
• Corporate bonds  
• Fixed term debentures  
• Note: where there is an active market, these items must be treated as FVTPL or available for sale unless unable to do so under AASB 139 *Financial Instruments: Recognition and Measurement.* |
| • Loans and receivables | • Trade receivables (债务ors)  
• Cash at bank (cash on hand or on deposit)  
• Loans receivable  
• Advances made |
| • Available for sale | • Shares or equity held in other entities (not held for trading or accounted for as subsidiaries, associates or joint ventures)  
• Items not classified within another category |
| • Financial liabilities at amortised cost | • Trade payables (creditors)  
• Loans payable |
Definitions and measurement

2. AASB 7 Financial Instruments: Disclosures applies to recognised and unrecognised financial instruments. Recognised financial instruments include financial assets and financial liabilities that are within the scope of AASB 139 Financial Instruments: Recognition and Measurement. Unrecognised financial instruments include some financial instruments that, although outside the scope of AASB 139, are within the scope of AASB 7. Examples of unrecognised financial instruments requiring disclosure under AASB 7 include:

   (a) loan commitments accounted for under AASB 137 Provisions, Contingent Liabilities and Contingent Assets; 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 (paragraph 5 of AASB 7 Financial Instruments: Disclosures).

3. Disclosures are made under AASB 7 Financial Instruments: Disclosures 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.

4. 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.

5. Financial guarantee contracts as defined in AASB 139 Financial Instruments: Recognition and Measurement do not include performance guarantees.

6. AASB 13 Fair Value Measurement and Appendix A paragraph AG76 of AASB 139 Financial Instruments: Recognition and Measurement provide guidance on the fair value measurement considerations for recognition and measurement of financial instruments.

7. AASB 139 Financial Instruments: Recognition and Measurement 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. Reporting entities should ensure they have appropriate classes to meet the disclosure requirements of AASB 7 Financial Instruments: Disclosures.

Initial measurement

8. Appendix A paragraph AG64 of AASB 139 Financial Instruments: Recognition and Measurement 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 AASB 13 Fair Value Measurement, a valuation technique must use prevailing market data for identical or comparable (i.e. 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.

9. Upon examination of available market data, if there is not 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.

10. 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

11. Refer to paragraphs 45-47 of AASB 139 *Financial Instruments: Recognition and Measurement* for the subsequent measurement of financial assets and liabilities.

12. Resource Management Guide 115 – Accounting for concessional loans includes in principle guidance for financial instruments measured at amortised cost using the effective interest method.

Disclosure

13. The disclosure requirements of AASB 13 *Fair Value Measurement* apply to financial instruments where AASB 7 *Financial Instruments: Disclosures* requires or permits fair value disclosures.

Classification of financial instruments

14. Reporting entities may reclassify financial instruments as per AASB 139 *Financial Instruments: Recognition and Measurement*, subject to subsections 16(2) and 16(3) of the FRR.

15. 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


Market risk sensitivity analysis

17. AASB 7 *Financial Instruments: Disclosures* requires disclosures of market risk sensitivity analysis and permits the analysis to be disclosed as either:

   (a) a separate sensitivity analysis for each type of market risk to which the entity is exposed, based on changes in the risk variable that are considered ‘reasonably possible’; or

   (b) an analysis that takes into account the interdependencies between market risk variables, if it is used to manage the entity’s financial risks.

18. Entities should adopt the disclosures in PRIMA Forms as part of their market risk sensitivity analysis.

19. Where the sensitivity analysis disclosed is unrepresentative of the risk inherent in a financial instrument, the entity is required to disclose that fact and the reason it believes that.

Market risk sensitivity – Standardised Rates

20. Interest rate (IR) and foreign exchange (FX) sensitivity analyses have been prepared on a ‘reasonably possible’ change basis. A ‘reasonably possible’ change of IR or FX has been estimated using both statistical and non-statistical analyses. Note: the Commonwealth does not predict IR and FX rates but instead utilises historical data to conduct market risk sensitivity analysis.

21. The statistical analysis for the IR Sensitivity Analysis Rate (IRSA Rate) has been based on the cash rate for the past five years issued by the Reserve Bank of Australia as the underlying dataset. This information is then revised and adjusted for reasonableness under the current economic circumstances.

22. The statistical analysis for the FX Sensitivity Analysis Rate (FXSA Rate) has been based on main currencies movement for the last five years. The five main currencies the
Commonwealth has exposure to are USD, EUR, GBP, JPY and NZD. This information is then revised and adjusted for reasonableness under the current economic circumstances.

**Market risk sensitivity – Alternative Rates**

23. Reporting entities are required to use the rates referenced in the Standard Parameters for use in Financial Statements document issued by Finance unless otherwise agreed with Finance.

24. Reporting entities that hold financial instruments for which they consider the underlying risk profiles to be substantially different from the assumptions used in this Guide should contact Finance to discuss the use of alternative rates. Entities should note that system limitations do not provide suitable grounds for use of an alternative rate.

**Impairment of financial instruments**

25. For information on impairment of available-for-sale equity financial instruments, contact Budget Estimates and Accounting via accountingpolicy@finance.gov.au.

**Other CRF money held by persons outside the Commonwealth**

26. Other CRF money (as described by section 105D of the PGPA Act) forms part of the CRF but is held and managed by an entity other than the Commonwealth. Consequently, other CRF money would not be reported as cash held in the financial statements of a reporting entity and should be managed in accordance with an arrangement (section 23 of the PGPA Act) which is compliant with the requirement of section 29 of the PGPA Rule.

27. Additional information can be found in Resource Management Guide 303 – Other CRF money. Contact pmra@finance.gov.au for queries on the management of other CRF money.
### Overview
Part F outlines the reporting requirements for other face statements and schedules including the cash flow statement and schedule of commitments.

### 35. Cash Flow Statement

<table>
<thead>
<tr>
<th>Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>13 AASB 107 Statement of Cash Flows</strong></td>
</tr>
<tr>
<td>When applying AASB 107 Statement of Cash Flows in preparation of financial statements, reporting entities must:</td>
</tr>
<tr>
<td>(a) present a cash flow statement using the direct method in compliance with AASB 107;</td>
</tr>
<tr>
<td>(b) present dividends paid as a component of financing activities; and</td>
</tr>
<tr>
<td>(c) show administered cash flows to/from the Official Public Account (OPA) as adjustments to administered cash held by an entity, rather than as cash flows related to operating or other activities.</td>
</tr>
</tbody>
</table>

### Cash Flow

1. **Section 13 of the FRR** formalises the requirements consistent with PRIMA Forms. This includes appropriations drawn down from the OPA for payment to entities.

### Transfers of section 74 of the PGPA Act to the OPA

2. Transfers of PGPA Act section 74 receipts to the OPA are disclosed as operating cash flows.

3. Where relevant non-corporate entity 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).
36. **Contingencies**

**Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015**

29 Contingencies

1. Contingent liabilities and assets that can be reliably measured must be classified in accordance with the classes specified in the PRIMA Forms. New classes can be added where applicable.

2. Unquantifiable contingent liabilities and assets must be explained in a note to the financial statements.

3. If a reporting entity has given a financial guarantee, it must:
   
   a) State that fact as part of its note for contingent liabilities and assets; and
   
   b) Include a cross reference to details regarding the guarantee in other notes to the financial statements.

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

**Contingencies**

1. Paragraph 92 of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* provides for reduced disclosures in the rare cases where there is the expectation that full disclosure would seriously prejudice the Commonwealth.

2. The reference in paragraph 92 of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* to 'entity' must be read as the entity, another Commonwealth entity or the Australian Government as a whole.

3. Entities should review the Statement of Risks published in Budget Paper No. 1: *Budget Strategy and Outlook* to ensure that all relevant contingencies have been disclosed in the statements. Disclosure requirements for the Statement of Risks may differ from those of this chapter.

4. Paragraph 2(e) AASB 139 *Financial Instruments: Recognition and Measurement* includes financial guarantee contracts in its scope (as defined in AASB 139 paragraph 9). Paragraph 2 of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* excludes from its scope those financial instruments that are covered by AASB 139 *Financial Instruments: Recognition and Measurement*. 
37. Commitments

<table>
<thead>
<tr>
<th>Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>28 Commitments</strong></td>
</tr>
<tr>
<td>(1) Reporting entities must disclose the nature, and where quantifiable, the amount of each class of departmental commitment, except commitments for the supply of inventory. Equivalent disclosure for administered commitments must be included in the administered reports.</td>
</tr>
<tr>
<td>(2) Commitments receivable must be disclosed where the inflow of resources is probable.</td>
</tr>
<tr>
<td>(3) The amounts reported as commitments payable and commitments receivable must include GST where applicable. A corresponding net GST commitment receivable (or payable) must be reported in the schedule of commitments for the net GST recoverable from (or payable to) the ATO.</td>
</tr>
<tr>
<td>(4) With the exception of the net GST commitment figure in subsection (3), commitments payable and receivable must not offset against each other.</td>
</tr>
</tbody>
</table>

Leases

1. 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 *Leases*, must be included in the schedule of commitments consistent with PRIMA Forms. These disclosures apply equally to sale and leaseback transactions which are classified as operating leases.

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

Commitments and liabilities

3. Commitments may be capital, non-capital, payable or receivable.

4. 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.

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

6. Provisions are not commitments because the entity is already 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.

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.
Agreements

8. 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.

9. 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.

10. 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.

Commitments evidenced by undertakings

11. Undertakings are unilateral promises that are intended to result in payments in future periods. Where further approval is required or legislation needs to be enacted to fulfil the undertaking, unilateral promises are not reported as undertakings, and, therefore, not disclosed as commitments.

Social benefit payments

12. Social benefit payments are not commitments. Further information about social benefit payments can be found in Resource Management Guide 124 Accounting for social benefit payments.

Future payment of GST

13. The future payment of GST revenue to the States and Territories is not a commitment.
Overview
Part G outlines the requirements for administered reporting.

38. Administered Reporting - General Information

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

9 Administered reporting
Administered reporting must:
(a) provide a brief description of the activities being administered on behalf of the Australian Government; and
(b) be in a different background shading to ‘departmental’.

General
1. AAS and AASB Interpretations are to be applied to administered items or activities as if the administered reports were the financial statements of the Australian Government as a parent entity.
2. Disclosures in relation to accounting policies in accordance with the relevant AAS (e.g., AASB 1050 Administered Items) and all applicable requirements of this guide should be included.
3. Accounting policies for ‘administered’ are the same as those for ‘departmental’, unless stated otherwise in this guide.
4. Unless otherwise stated in this guide, 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.
5. A statement of changes in equity is not required for administered.

Impairment of administered assets
6. Entities must apply the impairment provisions under AASB 139 Financial Instruments: Recognition and Measurement to administered investments as well as other administered financial instruments accounted for under AASB 139.
7. Administered assets other than financial instruments should be assessed for impairment under the relevant AAS.
8. The relevant AAS for impairment assessment of receivables for statutory charges is AASB 136 Impairment of Assets (see Chapter 24 (Receivables for Statutory Charges)).
9. AASB 136 Impairment of Assets applies to administered assets that are not financial instruments. However, estimates, averages and shortcuts may be applied under paragraph 23 of AASB 136 Impairment of Assets for determining fair value less costs of disposal 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).
10. The Australian Government as a whole is not considered a cash-generating operation. Therefore, the provisions of AASB 136 *Impairment of Assets* 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**

11. Paragraph 22 of AASB 1050 *Administered Items* 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 *Administered Items*. 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.

12. 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 payment.

**Administered reconciliation schedule**

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

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

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

32 Administered investments

(1) This section only applies to administered investments where the Government’s interest is in the nature of:
   (a) subsidiaries under AASB 10 Consolidated Financial Statements;
   (b) associates under AASB 128 Investments in Associates and Joint Ventures; or
   (c) joint operations or joint ventures under AASB 11 Joint Arrangements.

(2) Other investments (e.g., a one per cent shareholding in a listed company) are accounted for under section 16 (financial instruments).

(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 Non-current Assets Held for Sale and Discontinued Operations, must be measured at fair value; and
   (d) must not be consolidated on a line-by-line basis into a reporting entity’s financial statements without approval from Finance.

Administered investments

1. Administered investments include companies and corporate Commonwealth entities.

Fair value hierarchy

2. To increase consistency and comparability in fair value measurements and related disclosures, AASB 13 Fair Value Measurement establishes a fair value hierarchy that categorises the inputs used to measure fair value.

3. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity can assess at the measurement date and the lowest priority to unobservable inputs. Unobservable inputs are inputs for which market data is not available and are developed using the best information about assumptions that market participants would use when pricing the asset or liability. Refer to paragraphs 72-90 of AASB 13 Fair Value Measurement for further information about the application of the fair value hierarchy.

Valuation techniques

4. Valuation techniques that can be used where observable inputs are unavailable 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.
5. For further information on fair valuation of administered investments, refer to:
   
   (a) AASB 13 *Fair Value Measurement*;
   
   (b) Appendix A paragraph AG76 of AASB 139 *Financial Instruments: Recognition and Measurement*; and
   
   (c) AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Classification

6. Classifying administered investments as available for sale does not imply they are held for sale. Entities 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.
### 40. Administered Investments Held for Sale

<table>
<thead>
<tr>
<th>Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>33 Administered investments held for sale</strong></td>
</tr>
<tr>
<td>(1) Administered investments held for sale:</td>
</tr>
<tr>
<td>(a) are accounted for in accordance with section 16 (financial instruments);</td>
</tr>
<tr>
<td>(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</td>
</tr>
<tr>
<td>(c) must be transferred at net book value.</td>
</tr>
<tr>
<td>(2) The costs of sale of an administered investment:</td>
</tr>
<tr>
<td>(a) are expensed as incurred, regardless of whether the investment meets the criteria to be held for sale in AASB 5; and</td>
</tr>
<tr>
<td>(b) must not be added to the carrying amount of administered investments.</td>
</tr>
<tr>
<td>(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.</td>
</tr>
<tr>
<td>(4) Reporting entities must disclose the following for each sale of an administered investment:</td>
</tr>
<tr>
<td>(a) proceeds from sale;</td>
</tr>
<tr>
<td>(b) written down value of the asset sold;</td>
</tr>
<tr>
<td>(c) recognised gain or loss on sale;</td>
</tr>
<tr>
<td>(d) selling costs incurred; and</td>
</tr>
<tr>
<td>(e) the net gain or loss after deducting selling costs incurred.</td>
</tr>
<tr>
<td>(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.</td>
</tr>
</tbody>
</table>

### General

1. **AASB 5 Non-current Assets Held for Sale and Discontinued Operations** does not apply to the restructuring of administrative arrangements (e.g., AAO changes). It only applies where an asset is being sold.

2. The Department of Finance (Finance) has responsibility for the sale of assets under an AAO; this does not mean that Finance needs to own the asset being sold. Finance may manage the sale on behalf of the portfolio department or the asset may be transferred to Finance for sale (see paragraph 3 below).

3. Where there is no formal agreement or decision as outlined in **subsection 33(1)(b) of the FRR**, the Portfolio Department must report the investment, even when the sale process is managed by Finance.

4. 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.
5. While administered investments held for sale are disclosed under AASB 5 Non-current Assets Held for Sale and Discontinued Operations, they are measured under AASB 139 Financial Instruments: Recognition and Measurement because they are financial assets.

Costs of sale of an administered investment - examples

6. Costs of sale (or selling costs) 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 a reporting 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.

41. Restructures of Administrative Arrangements

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

26 Restructures of administrative arrangements

(1) Where a restructure of administrative arrangements has occurred during the reporting period as per AASB 1004 Contributions, the relevant reporting entities must:

(a) disclose details of the restructure of administrative arrangements in a note in the financial statements as per the PRIMA Forms; and

(b) recognise assets and liabilities transferred at their net book value immediately prior to transfer.

(2) For the purposes of this section, 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 following:

(i) a decision of the Cabinet or Prime Minister;

(ii) an Administrative Arrangements Order (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.

General

1. Restructures of administrative arrangements apply to government controlled not-for-profit entities and for-profit government departments. Subsection 26(2)(a) of the FRR means that paragraphs 54-59 of AASB 1004 Contributions apply to all Government controlled entities.

2. Accounting entries are not required to be processed by the date of the transfer for a reporting entity to make the disclosures required by this chapter as of that date.

3. Some examples of situations which may meet the definition of a restructure of administrative arrangements include:

(a) transfer of responsibility for delivery of goods and services including delivery of advice to the Australian Government;
(b) transfer of responsibility for managing assets and liabilities; and
(c) a reclassification between ‘departmental’ and ‘administered’.

4. Reporting entities must comply with the reporting requirements in section 17A of the PGPA Rule regarding a change of functions (i.e., functions that cease to exist or are transferred).

Commonwealth entity ceases to exist

5. If a Commonwealth entity (the old entity) ceases to exist, then the accountable authority of another Commonwealth entity nominated by the Finance Minister must prepare the annual financial statements for the old entity, that the accountable authority of the old entity would have been required to prepare under the PGPA Act if the old entity had not ceased to exist.

Transfer of a Commonwealth entity's function(s)

6. If a function of a Commonwealth entity (the old entity) is transferred to one or more other Commonwealth entities, either because the old entity ceases to exist or for any other reason, then the accountable authority of a Commonwealth entity nominated by the Finance Minister in relation to that function must prepare the annual financial statements for the old entity that relate to that function that the accountable authority of the old entity would have been required to prepare under the PGPA Act if the function had not been transferred.

Transfer of appropriations representing prior years’ unspent appropriations

7. Transfers of appropriations 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. PGPA Act section 75 determinations will need to be in place to enable the receiving entity to access and spend annual appropriations. Entities should contact Financial Management Branch via amtmail@finance.gov.au for further information.
Overview
Part I comprises:

- Chapter 42: Appropriations – General Requirements outlines when and how appropriations are recognised.
- Chapter 43: Departmental Appropriations specifically prescribes the recognition and measurement of departmental appropriations.
- Chapter 44: Administered Appropriations specifically prescribes the recognition and measurement of administered appropriations.
- Chapter 45: Disclosure of Appropriations outlines the specific disclosure requirements for the appropriation tables.

42. Appropriations - General Requirements

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

Division 1 (of Part 6) – General Requirements

35 General requirements

(1) Reporting entities must account for and disclose appropriations (including special appropriations) in accordance with this rule, regardless of whether the relevant amounts are considered to be material, as appropriations are deemed material by nature.

(2) Appropriations Tables A to E must be prepared on a recoverable GST exclusive basis and a cash basis.

36 Quarantining of appropriations by the Department of Finance

All amounts quarantined by Finance are administrative in nature and do not result in the loss of control of the appropriation by the entity. Consequently, there is no impact on recognition or disclosure of the appropriation for financial reporting purposes.

37 Adjustments to appropriations

The following are adjustments to appropriation receivable under the PGPA Act or the Financial Management and Accountability Act 1997 (FMA Act), and must not be recognised as appropriation revenue:

(a) PGPA Act section 74 (receipts of amounts by non-corporate Commonwealth entities);

(b) PGPA Act section 75 (transfer of functions between non-corporate Commonwealth entities) prior year appropriation only; and

(c) FMA Act section 30A or equivalent (appropriations to take account of recoverable GST).
Return of capital
1. The Australian Government establishes the entity’s capital therefore the Portfolio Minister of the entity should write to the Finance Minister requesting approval to reduce the entity’s capital.

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

Determinations under PGPA Act section 51 affecting appropriations
3. An appropriation may be affected by a determination under section 51 of the PGPA Act or for other administrative reasons. Unless there is a Government approved legal instrument that formally reduces or increases the appropriation, the relevant amount remains legally available to the entity, and must be included and disclosed in the appropriations note.
4. Where a determination under section 51 of the PGPA Act makes it clear that an entity will no longer have access to a relevant amount of appropriation at any time in the future, then this will constitute a loss of control. However, the relevant amount of appropriation should be included in the relevant column in Table A of the appropriations note.
5. Examples of amounts affected by section 51 of the PGPA Act include:
   (a) where there is a government decision to reappropriate, withhold or reduce funding;
   (b) an approved movement of funds request;
   (c) a foreign exchange gain under the ‘no win/no loss’ arrangements; or
   (d) a ‘net-negative’ appropriation occurs (where there is an insufficient increase in an appropriation to cover a reduction in funds occurring at the same time).
6. Contact the Appropriations Management Team in Finance via amtmail@finance.gov.au for further information about section 51 determinations affecting appropriations.

PGPA Act section 75 transfers
7. In relation to Machinery of Government and restructuring of administrative arrangements changes, refer to:
   (a) AAO;
   (b) PGPA Act section 75;
   (c) Chapter 41 (Restructures of Administrative Arrangements) of this guide; and
8. For the PGPA Act section 75 transfers, control of appropriation is lost or gained at the later of:
   (a) the date of the determination; and
   (b) the commencement date set out in the determination (note that the Act subsection 75(8) allows the transfer to take effect before or after the day it is registered).
9. Contact the Appropriations Management Team via amtmail@finance.gov.au for further information about PGPA Act section 75 transfers.
Repayments by and to the Commonwealth (PGPA Act Sections 77 and 74)

10. Refer to Estimates Memorandum 2014/63: Making repayments using the special appropriation in PGPA Act section 77 or FMA Act section 28 for further guidance.

Receipt of amounts by non-corporate Commonwealth entities (PGPA Act section 74)

43. **Departmental Appropriations**

**Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015**

**Division 3 (of Part 6) – Departmental Appropriations**

**38 Departmental appropriations**

(1) Reporting entities must recognise all departmental appropriations (including departmental special appropriations) for which they are responsible.

(2) The earliest point of recognition for accounting purposes is when the entity gains control of the appropriation, which is:

   (a) for loans specified in the Appropriation Acts - when drawn down from the Official Public Account (OPA) for the amount to be received;
   
   (b) for 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) for special accounts - as per revenue recognition principles in Division 6 of this Part;
   
   (d) for AFM (for Parliamentary Departments, advance to the responsible Presiding Officer) - the date of the determination;
   
   (e) for departmental supplementation - the date of the approval; and
   
   (f) for all other departmental appropriations specified in the Appropriation Acts - at the later of:
       
       (i) the 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).

(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.

**39 Equity returns and adjustments**

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

(2) 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 section 23 (liabilities relating to dividends); 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; and
(iii) where (i) and (ii) are not applicable, the date of the payment.

### 40 Formal additions or reductions

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

(2) 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 the PGPA Act section 75;
- (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 under any legislation that allows for additions or reductions to appropriations;
- (e) an Advance to the Finance Minister as per Part 3 of the Appropriation Acts;
- (f) amounts determined under section 51 of the PGPA Act where it is determined that this results in a loss of control over the appropriation; and
- (g) all other adjustments made as a consequence of a decision of the Cabinet or the Prime Minister about the amount of appropriation or other funding available to a reporting entity.

(3) Unless there is a Government approved legal instrument that formally reduces or increases the appropriation for one of the gain or loss of control events in subsection (2), then the reporting entity must still include that amount in their appropriation disclosure note as a legally available appropriation.

### Equity injections and returns

1. Departmental equity injections or returns can include restructuring of administrative arrangement agreements resulting from a transfer of function (refer to Chapter 41 (Restructures of Administrative Arrangements) of this Guide).

### Appropriations – adjustments due to agreements

2. While not a conclusive list, agreements referenced in subsection 40(2)(c) of the FRR that might require adjustments to appropriation include:

   - (a) Air Passenger Processing Workload Growth Agreement;
(b) Cabinet directives relating to funding for Defence deployment; and
(c) Centrelink Funding Model Agreement.

No-win/no-loss funding

3. 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.

4. 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

5. This chapter 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 subsection 40(2) of the FRR, but the adjustment is not disclosed in the appropriations note until the appropriation is legally adjusted.

Departmental capital budgets

6. Departmental capital budgets are accounted for as contributions by owners (i.e., equity) as per EM 2012/02 Capital Budgeting Policy for Australian Government Entities and EM 2015/02 Consideration of Operating Loss Applications.

Departmental supplementation

7. 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 revenue from Government (supplementation) and not as appropriations revenue; and
   (c) subsequent years – appropriations in subsequent years will be recognised to the extent that they have not been previously recognised.

8. Transactions need to be appropriately evidenced before appropriations can be recognised. The minimum requirement for ‘appropriate evidence’ is a written Ministerial agreement.

9. The receivable should not be taken up as ‘appropriation receivable’ until such time as legally available and instead is to be taken up as a ‘receivable from Government’.
44. Administered Appropriations

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

Division 4 (of Part 6) – Administered Appropriations

41. Administered appropriations

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

(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); or
   (ii) the reporting entity’s Minister.

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

42 Payments to corporate Commonwealth entities

(1) An amount appropriated to a non-corporate Commonwealth entity for payment to a corporate Commonwealth entity (either through annual or special appropriations) is an administered appropriation to the non-corporate Commonwealth entity and is recognised and disclosed accordingly.

(2) Payments from a non-corporate Commonwealth entity to a corporate Commonwealth entity in the nature of:

(a) equity injections are an increase to the carrying amount of the administered investment of the non-corporate Commonwealth entity;
(b) loan appropriations to corporate Commonwealth entities must be accounted for as loans receivable by the relevant portfolio department regardless of whether the loan is made directly by the OPA or through the relevant portfolio department;
(c) 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
(d) other payments (i.e., not in the nature of equity injections or loans) are recorded as expenses by the non-corporate Commonwealth entity.

Administered appropriations

1. Administered appropriations provide funding relating to activities administered by entities in their fiduciary capacity on behalf of the Australian Government. Consequently, administered appropriations are not revenues of the individual entity 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.

2. Drawdowns of administered appropriations can be daily as required, and entities will be able to make additional drawdowns for the amounts of recoverable GST where necessary. Entities 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 entities for appropriation purposes as referred to in Appropriation Acts 1 and Appropriation Acts 2.

Payments to corporate entities

3. Corporate Commonwealth entities usually do not receive appropriations. Amounts appropriated to a non-corporate Commonwealth entity for payment to corporate entities are administered appropriations to the non-corporate Commonwealth entity and recognised accordingly.

4. Amounts to be paid to Corporate Commonwealth entities are appropriated to the relevant Portfolio Departments for payment to corporate entities in the annual Appropriation Acts or in other Acts (as special appropriations). They do not include amounts paid to corporate entities under other arrangements (e.g., contractual arrangements).

Loan appropriations

5. Pre-2009 loans from the OPA to Commonwealth entities and associated transactions must be recorded in the administered books of the responsible portfolio departments. For further information, contact accountingpolicy@finance.gov.au.
45. Disclosure of Appropriations

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

Division 4 (of Part 6) – Disclosure of Appropriations

43 Table A - Annual appropriations

1. The amounts shown for Annual Appropriations must be the same as those set out in the relevant Appropriation Acts.

2. This table must include the following adjustments under the relevant legislative provisions:
   (a) AFM – appropriated in the current reporting period;
   (b) PGPA Act section 74 – receipts that have been recorded in the accounts and records of the responsible entity during the reporting period; and
   (c) PGPA Act section 75 – only current year appropriation increased or decreased by section 75 determinations.

3. The column “Appropriation applied in 20XX (current and prior years)” must include:
   (a) cash payments made from appropriations; and
   (b) appropriations credited to special accounts for the reporting period.

   This is to include amounts from both current and prior year appropriations.

4. The following information must be disclosed as footnotes to this table:
   (a) formal additions or reductions recognised as per Division 3 of this Part but at law the appropriation has not been amended during the financial reporting period;
   (b) 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;
   (c) any entities that spent money from the CRF on behalf of the reporting entity; and
   (d) an explanation for all appropriations that have been quarantined.

44 Table B - Departmental and administered capital budgets

1. This table must be disclosed by all reporting entities that receive a Departmental Capital Budget and/or an Administered Capital Budget.

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

3. The table must include any adjustments to the current year appropriation increased or decreased by determinations made under the PGPA Act section 75.

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

5. 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.

6. The following information must be disclosed as footnotes to this table:
(a) 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.

45 Table C - Unspent annual appropriations

Reporting 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.

46 Table D - Special appropriations

(1) Reporting entities must disclose the following for each special appropriation:

(a) authority, including:
   (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 (PGPA Act section 58) – total of prior year investments redeemed in current year and redemptions of current year investments (gross);
(b) type (e.g., unlimited amount, refund, PGPA Act section 58 or limited amount);
(c) purpose; and
(d) appropriation applied, including:
   (i) for special appropriations unlimited by amount, limited by amount or refund – the total of cash payments, amounts credited to special accounts less repayments under the PGPA Act subsection 74(1); and
   (ii) for special appropriations (PGPA Act section 58) – the total investments made during the year.

(2) Reporting entities must disclose all relevant money invested in authorised investments under the PGPA Act section 58 in Table D.

(3) Where investments are made under an Act of Parliament other than the PGPA Act section 58, 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.

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

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 rule; and
(ii) disclose the name of the spending entity as a footnote to the relevant appropriations note tables.

General
1. The appropriations disclosure note does not include payments to the ATO of GST amounts collected on receipts (whether notional or actual), actual payments of GST to the ATO and GST paid on supplies.

Table A - Annual appropriations

Formal additions or reductions under section 40 of the FRR
2. 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 after the end of the reporting period (as per section 40 of the FRR) must not be recognised in Table A.
3. 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.

Explanation of material variances and reductions - notes to Table A
4. For the purpose of FRR section 43(4)(b), 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.

Disclosure of quarantined appropriations
5. Reporting entities are required to include details of appropriations that have been quarantined in a footnote to Table A.

Table C - Unspent annual appropriations
6. Unspent balances in Table C incorporate adjustments to appropriation under the Appropriation Acts and PGPA Act (e.g. PGPA Act section 75 transfers), where applicable.

Table D - Special appropriations
7. 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.

8. For special appropriations with the type ‘refund’, "Appropriation applied" is the total refunds made under section 77 of the PGPA Act or section 28 of the FMA Act (if the money being repaid was received on or before 30 June 2014). Further information about refunds can be found in EM 2014/63: Making Repayments using the Special Appropriation in PGPA Act section 77 or FMA Act section 28.
Acting as an agent

9. 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 directly accesses the appropriation of another entity for payment to a third party.

10. 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 as a footnote to the table:

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

Corporate entities - Appropriations

11. Except in cases where corporate entities handle public money, transferring cash from the OPA to a corporate entity’s bank account takes that money out of the CRF and reduces the available appropriation balance. By the time the money reaches the corporate entity, it is not considered an appropriation in its hands. Corporate entities should not disclose these amounts as appropriations.

12. Corporate entities should disclose these amounts in accordance with the nature of the payment. This can be determined by reference to the appropriation acts, for example ordinary annual appropriations amounts recognised as revenue, amounts designated as equity would be disclosed as contributed equity.
Part J Other Disclosures

Overview
Part J addresses specific disclosure requirements in the face statements and supporting notes, schedules and tables for special accounts and the reporting of outcomes.

46. Special Accounts

Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015
Division 6 (of Part 6) – Special Accounts

48 Special Accounts
(1) The special accounts note must be prepared on a recoverable GST exclusive basis and a cash basis.
(2) Reporting 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 (appropriations are material by nature).
(3) 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; 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 fair manner.
(4) Reporting entities must report money subject to trust law that form part of the balance of a special account adjacent to the special account disclosure.

General
1. 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 the special accounts note.
2. 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;
   are not to be recognised again as income to that entity. These transfers are internal transfers.
3. Where a special account has not been used during the current and the comparative reporting periods, the reporting entity may make the following footnote disclosures in the special accounts note instead of disclosing that special account:
   (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.

Special Account - Expenditure

4. For each special account, there should be separate disclosure for expenditure that is
departmental or administered in nature.

Comcare receipts

entities provides detailed guidance on the management of money related to Comcare
payments.

Unidentified receipts

6. Refer to the guidance on unidentified receipts in Chapter 29 (Assets Held in Trust).

Assets held in trust

7. Assets held in trust that form part of the balance of a special account must also be
reported in compliance with section 31 of the FRR (Chapter 29 of this guide).
47. Reporting of Outcomes

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**Extract from Public Governance, Performance and Accountability (Financial Reporting) Rule 2015**

**34 Reporting of outcomes**

(1) All reporting entities that form a part of the General Government Sector must report on Government approved outcomes in accordance with AASB 1052 *Disaggregated Disclosures*.

**Attribution method**

(2) Reporting entities must attribute shared items using a basis that most accurately allocates the expense, income, asset or liability to each outcome.

(3) The attribution method used to apportion shared items must be reliable and must be disclosed in general terms. 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**

(4) Where an outcome changes during the reporting period, reporting entities must:

   (a) match the changed outcome to the adjusted Government approved outcome arrangements; 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.

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**Comparative information and reclassification of items**

1. 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 *Accounting Policies, Changes in Accounting Estimates and Errors*. Refer to paragraphs 14–31 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* for further information about applying changes in accounting policies.

**Outcomes tables**

2. AASB 1050 *Administered Items* and AASB 1052 *Disaggregated Disclosures* use the term ‘activities’ which generally equate to the term ‘outcomes’ for departmental and administered items.

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

4. Administered income does not include administered appropriations.

5. Entities should disclose the following information consistent with PRIMA Forms:

   (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) entities with only one outcome can omit Tables B and C but need to disclose Table A;

   (c) major classes disclosed in Tables B and C need to match the major classes applicable to the disclosing entity; and
(d) 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.

6. Payments to corporate entities are not related to the paying entity’s outcomes and are therefore not attributed. They need to be included in the disclosures for completeness.

7. Amounts in the total column in Tables A, B and C need to agree to the corresponding totals in the entity's statement of comprehensive income, statement of financial position and administered schedules where relevant. This means the table may need to include a column for items not allocated to an outcome.
48. Cost Recovery

Cost recovery

1. Reporting entities should disclose their cost recovered activities in accordance with PRIMA Forms.

2. For further guidance on cost recovery, refer to Resource Management Guide 304 – Australian Government Cost Recovery Guidelines or email the Charging Policy Team at chargingpolicy@finance.gov.au.
49. **Budgetary Reporting**

**General**

1. Not-for-profit entities within the GGS are required to disclose the original budgeted financial statement presented to parliament together with explanations of major variances between the actual amounts presented in the financial statements and the corresponding information original budget amounts.

2. Reporting entities’ financial statements are subject to audit and will therefore need to ensure that they have adequate working papers to support Budget information disclosed. Examples of appropriate working papers include CBMS reconciliations, CFO sign-offs and appropriate Budget authority documentation.

3. Comparative budgetary information in respect of the previous period is not required.

4. The ANAO will only audit variances between actual and original budget amounts and will not audit the budget amount. Reporting entities will need to understand and explain the underlying basis of the budget amount in order to provide an appropriate explanation for any variance.

5. Budgetary reporting, under AASB 1055 *Budgetary Reporting*, is to be presented in a note to the financial statements and not on the face statements.

**Major variances**

6. Explanations of major variances to be disclosed are those relevant to an assessment of the discharge of accountability and to an analysis of the performance of a reporting entity. Entities should exercise professional judgment in explaining variances, particularly where variance explanations are of a security or sensitive nature. Explanations should not simply focus on the difference between the original budget and the actual amounts, but should focus on a high level explanation of the cause, rather than merely the nature, of the major variance.

7. Reporting entities need to consider the materiality of variances. As a general guide:
   - (a) for both departmental and administered, more than +/- 10% of the line item; or
   - (b) for departmental only, more than +/- 2% of total expenses or total own-source revenue; and
   - (c) for administered only, more than +/- 2% of the relevant sub-total for total expenses, revenue, assets or liabilities.

Reporting entities should note that discussions with auditors may conclude that more or fewer variance explanations are required (e.g., a line item budget might be so small, in the overall context of the financial statements, that explaining a variation above 10% would not be useful in analysing the entity’s performance). Variances in appropriations will be explained in the Appropriations note.