



**Australian Government**

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**Department of Finance and Deregulation**

**FINANCE MINISTER'S ORDERS FOR FINANCIAL  
REPORTING**

**(INCORPORATING POLICY AND GUIDANCE)**

**REQUIREMENTS AND GUIDANCE FOR THE PREPARATION OF  
FINANCIAL STATEMENTS OF AUSTRALIAN GOVERNMENT  
ENTITIES FOR REPORTING PERIODS ENDING ON OR AFTER  
1 JULY 2010**

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

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# Part A INTRODUCTION

## OVERVIEW

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

Part A comprises of the following divisions:

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

## 1 **Legislative Authority**

### 1.1 **The Finance Minister makes:**

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

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

- (a) [section 49 of the FMA Act](#); or
- (b) [clause 2 of Schedule 1 to the CAC Act](#).

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

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

## *GUIDANCE*

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### ***This Document***

- 1.71G Finance publishes this document, which includes Schedule 1 of the Orders referred to in [section 1.1](#) and related policy and guidance.
- 1.72G The bold black text in this document is a reproduction of Schedule 1 of the Orders (in this document, it is referred to as the ‘black letter’), which:
- (a) are mandatory principles, bases or rules made by the Finance Minister for preparing and presenting general purpose financial reports of Australian Government entities;
  - (b) clarify accounting treatments in AAS, other authoritative pronouncements of the AASB or legislation with whole-of-Government application; and/or
  - (c) specify the accounting treatment to be applied when the AAS or legislation permit choice.
- 1.73G Additional materials not forming part of the Orders are also published in this document. They consist of:
- (a) policies that are prescriptive principles, bases or rules that support the Orders. These are mandatory; and
  - (b) guidance which are intended to assist in interpreting the black letter and policy.
- 1.74G Policies and guidance in this document are subject to change by Finance as and when these changes are required.

### ***Annexure A and PRIMA Documents***

- 1.75G Annexure A of this document is black letter, and therefore is mandatory.
- 1.76G The PRIMA Forms are policy, and therefore are mandatory, subject to paragraph A.2 of Annexure A.
- 1.77G The PRIMA Illustratives and Templates are guidance.

### ***CAC Act and FMA Act Orders***

- 1.78G The purpose of having standard requirements for Government entities is to achieve uniformity in financial reporting and to assist in the preparation of the Australian Government’s consolidated financial statements as required under [section 55 of the FMA Act](#).

## 2 **Structure**

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

### *GUIDANCE*

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- 2.71G Policy sections have section numbers with the letter P suffix. For example, [section 6.51P](#).
- 2.72G Guidance sections have section numbers with the letter G suffix. For example, [section 2.72G](#).

### 3 Further Information

#### *GUIDANCE*

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

3.72G Additional references include:

- [Accounting Guidance Notes](#);
- [AAS](#) issued by the [AASB](#);
- [AASB Interpretations](#);
- [AASB Framework for the Preparation and Presentation of Financial Statements](#);
- [Statements of Accounting Concepts \(SACs\)](#);
- [Finance Briefs](#);
- [Finance Circulars](#);
- [Financial Management Guidance](#);
- Estimates Memoranda;
- [FMA Act](#);
- [Financial Management and Accountability Regulations 1997](#);
- [CAC Act](#);
- [Commonwealth Authorities and Companies Regulations 1997](#);
- [Commonwealth Authorities and Companies \(Report of Operations\) Orders 2008](#); and
- [Corporations Act 2001](#).

## Part B DEFINITIONS AND ABBREVIATIONS

### OVERVIEW

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

## 4 Definitions

<b>Administrative Arrangements Order (AAO)</b>	The AAO, issued from time to time by the Governor-General, establishes the matters to be dealt with by each Department of State, and the <i>Acts</i> of Parliament to be administered by each Minister.
<b>Administered Investments</b>	Administered investment is defined for the purpose of this schedule as an interest by the Australian Government in a subsidiary, associate or jointly controlled operation or entity that is disclosed in the financial statements of an agency on behalf of the Australian Government.
<b>Administered Items</b>	Those items that an agency does not control but over which it has management responsibility on behalf of the Government and which are subject to prescriptive rules or conditions established by legislation, or Australian Government policy, in order to achieve Australian Government outcomes. Refer to <a href="#">Division 15</a> for further information.
<b>Agency</b>	As defined in <a href="#">section 5 of the <i>FMA Act</i></a> .
<b>Appropriation</b>	For the purposes of this schedule, an authority under any <i>Act</i> or law to draw money from the CRF, whether or not the law concerned used the word appropriation or appropriated.
<b>Australian Government</b>	All bodies that comprise the public sector at the national level. This includes the Commonwealth, office holders, statutory corporations and their subsidiaries.
<b>Australian Accounting Standards</b>	<a href="#">AAS</a> released by the <a href="#">AASB</a> .
<b>Authority</b>	A Commonwealth authority as defined in <a href="#">section 7 of the <i>CAC Act</i></a> . Also referred to in this schedule as a <i>CAC Act</i> entity, authority or body.
<b>Business Operation/s</b>	A function or functions within an agency that have been determined to be a business operation pursuant to <a href="#">section</a>

[5A of the Financial Management and Accountability Regulations 1997.](#)

<b>Collection Institutions</b>	<p>Comprise the following entities:</p> <ul style="list-style-type: none"><li>(a) Australian Institute of Aboriginal and Torres Strait Islander Studies;</li><li>(b) Australian National Maritime Museum;</li><li>(c) Australian War Memorial;</li><li>(d) National Archives of Australia;</li><li>(e) National Film and Sound Archive;</li><li>(f) National Gallery of Australia;</li><li>(g) National Library of Australia;</li><li>(h) National Museum of Australia; and</li><li>(i) Old Parliament House.</li></ul>
<b>Commonwealth</b>	<p>The legal entity of the Commonwealth of Australia, created by the <u><a href="#">Australian Constitution</a></u>.</p>
<b>Concessional Loan</b>	<p>A loan provided on more favourable terms than the borrower could obtain in the market place. The concession provided may be in the form of lower than market interest rates, longer loan maturity or grace periods before the payment of the principal and/or interest.</p>
<b>Consolidated Financial Statements (CFS)</b>	<p>The CFS for the Australian Government are the annual, end-of-year financial statements prepared under <u><a href="#">section 55 of the FMA Act</a></u> and in accordance with AAS. The CFS present the consolidated results for the Australian Government as well as disaggregated information on the various sectors of government (GGS, PNFCs and PFCs).</p>
<b>Cost Recovery</b>	<p>Certain revenues recovered directly from the provision of goods and services (including user charges). Cost recovery does not include:</p> <ul style="list-style-type: none"><li>(a) intra/inter-Government charging;</li><li>(b) charges by GBEs;</li><li>(c) competitively neutral commercial charging arrangements;</li><li>(d) general taxation;</li><li>(e) repayment of loans to the Australian Government;</li><li>(f) receipts from asset sales, including sales and licensing of patents or intellectual property, rental of property, royalties or other property related incomes;</li><li>(g) fines and penalties;</li><li>(h) payments by customers to non-Australian Government entities where Commonwealth policies may affect prices;</li><li>(i) receipts from one-off specific policy measures;</li></ul>

	<ul style="list-style-type: none"> <li>(j) charges relating to industry-Government partnerships;</li> <li>(k) statutory marketing levies; and</li> <li>(l) fees charged by courts and tribunals.</li> </ul>
<b>Departmental Items</b>	Those items that the entity controls that are applied to the production of the entity's own purposes. Refer to <a href="#">Division 15</a> for further information.
<b>Departmental Supplementation</b>	Supplementation for work agencies were directed by government to undertake in a financial year but after the last date for inclusion in the last set of appropriation Bills prepared for the financial year. Agencies are expected to meet the cost of these activities from their existing appropriations, which will then be replenished by a departmental appropriation in the following financial year.
<b>Drawdown</b>	An authorised transmission of funds from the OPA to either the respective agency's Official Administered Payments account or Official Departmental account.
<b>Employee</b>	<p>An individual who renders personal services to an entity and is either regarded as an employee for legal or tax purposes, works for an entity under the direction of the entity in the same way as an individual who is regarded as an employee for legal or tax purposes, or renders services in a similar way to individuals regarded as employees for legal or tax purposes.</p> <p>(derived from <a href="#">AASB 2 Appendix A</a>)</p>
<b>Entity</b>	<p>Refers to:</p> <ul style="list-style-type: none"> <li>(a) an agency;</li> <li>(b) an authority;</li> <li>(c) an economic entity - comprising the agency or authority and its subsidiaries; and</li> <li>(d) each activity or activities of an agency which is/are determined to be a business operation.</li> </ul> <p>For the purpose of this schedule, Commonwealth Companies incorporated under the <a href="#">Corporations Act 2001</a> do not fall under this definition except to the extent that they form part of an economic entity referred to above.</p>
<b>FinanceBriefs</b>	Provide clarification and guidance on the Government's accounting and financial reporting policies as required throughout the year. They are prepared by Finance.
<b>Finance Chief Executive</b>	Secretary of the Department of Finance and Deregulation.
<b>Finance Minister</b>	Minister for the Department of Finance and Deregulation.

<b>Financial Report/Statements</b>	<p><b>Comprises:</b></p> <ul style="list-style-type: none"> <li>(a) the primary financial statements, schedules and notes required by this schedule; and</li> <li>(b) other certificates, reports and notes which are: <ul style="list-style-type: none"> <li>i. prepared in relation to the agency or authority (where the agency or authority is a parent entity, the economic entity comprising the agency or authority and its subsidiaries); and</li> <li>ii. attached to or intended to be read with the statements and notes in (a);</li> </ul> </li> </ul> <p>but not including the:</p> <ul style="list-style-type: none"> <li>i. auditor's report;</li> <li>ii. annual report; or</li> <li>iii. additional supplementary information that is not audited.</li> </ul> <p>Financial report as used in this schedule must be taken to have the same meaning as the term financial statements applied in the <a href="#">FMA Act</a> and <a href="#">CAC Act</a>.</p>
<b>For-Profit Entities</b>	Any entity that does not meet the definition of a not-for-profit entity.
<b>General Government Sector</b>	<p>Institutional sector comprising all government units and non-profit institutions controlled and mainly financed by government.</p> <p><a href="#">(Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005, Glossary)</a></p>
<b>Government Business Enterprises</b>	A Commonwealth authority or Commonwealth company that is prescribed as a GBE under the <a href="#">Commonwealth Authorities and Companies Regulations 1997</a> .
<b>Grants</b>	Contributions of Government resources to or from a unit of Government for specific or general purposes where there is no expectation that the amount will be repaid in equal value. Grants can take the form of money, property or technical assistance and subsidies. (See also <a href="#">AASB 120 para. 3</a> )
<b>Indefinite Useful Life</b>	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.
<b>Outcomes</b>	The results, impacts or consequences of actions by the Australian Government on the Australian community that the Government wishes to achieve. For reporting purposes

outcomes equate to major activities in [AASB 1052](#).

<b>Outsider</b>	<p>Any person other than the Commonwealth, an official or a Minister.</p> <p><a href="#">(FMA Act section 12 (3))</a></p>
<b>Own-Source Income</b>	<p>For <i>FMA Act</i> agencies, it consists of all income with the exception of annual and special appropriations. It includes <a href="#">FMA Act section 31</a> revenue and is adjusted for any repayments made under <a href="#">FMA Act section 28</a>.</p> <p>For <i>CAC Act</i> authorities, it consists of all income except amounts appropriated to the relevant portfolio agency for payment to the <i>CAC Act</i> authority.</p>
<b>Performance Guarantee</b>	<p>A guarantee of another entity's performance of services to a third party, which may or may not create a financial obligation for the guarantor in the event of non-performance. A performance guarantee is not a financial guarantee.</p>
<b>Personal Benefit Payments</b>	<p>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.</p>
<b>Portfolio Budget Statements</b>	<p>The aggregation of agency budget statements by portfolio.</p>
<b>Primary Financial Statements</b>	<p>The statement of comprehensive income, balance sheet, statement of changes in equity and cash flow statement.</p>
<b>Public Financial Corporations</b>	<p>Public sector corporations that are engaged in providing financial intermediation services or auxiliary financial services. These entities are listed in the <a href="#">flipchart of FMA Act Agencies / CAC Act Bodies</a> or <a href="#">List of Australian Government Bodies and Governance Relationships as at 1 October 2009</a> available from Finance's website.</p>
<b>Public Money</b>	<p>As defined in <a href="#">section 5 of the FMA Act</a>.</p>
<b>Redundancy</b>	<p>Termination of employment that is not a result of any personal act or fault of individual employees nor of any characteristic peculiar to them. Their employment is terminated because the employer no longer requires their jobs to be filled by anyone.</p>
<b>Reimbursement</b>	<p>To make repayment to a party for expense or loss incurred.</p>
<b>Reserves</b>	<p>Equity items, including:</p>

	<ul style="list-style-type: none"> <li>(a) amounts set aside out of profits; or</li> <li>(b) other movements not reflected in the profit or loss (or surplus or deficit) such as gains on revaluation of assets.</li> </ul>
<b>Resources Received Free of Charge</b>	Goods or services received for no or nominal consideration that would otherwise have been purchased and can be reliably measured.
<b>Responsible Agency</b>	The agency named in the relevant legislation or if not named, the portfolio department, unless determined otherwise by the relevant Minister.
<b>Revaluation</b>	The act of recognising a reassessment of the carrying amount of an asset to its fair value as at a particular date, but excludes recoverable amount write-downs and impairment losses.
<b>Special Account</b>	A ledger entry within the CRF that is supported by standing appropriations ( <a href="#">FMA Act sections 20 and 21</a> ). Special accounts allow money in the CRF to be notionally set aside for a particular purpose.
<b>Special Appropriations</b>	Money appropriated under a specific <i>Act</i> of Parliament for a particular purpose of spending.
<b>Special Public Money</b>	As defined in <a href="#">subsection 16(4) of the FMA Act</a> .
<b>Standing Appropriations</b>	A subset of special appropriations where the amount appropriated is determined by reference to legislative criteria or conditions (also known as appropriations unlimited by amount).
<b>Statutory charges</b>	Non-reciprocal charges imposed by Government.
<b>Subsidy</b>	A grant made that reduces the cost of a good or service.
<b>Transfer Payments</b>	<p>Payments that an agency does not control, but is responsible for transferring to eligible recipients (under legislation or some other authority). Transfer payments may include:</p> <ul style="list-style-type: none"> <li>(a) personal benefit payments such as: <ul style="list-style-type: none"> <li>(i) unemployment benefits;</li> <li>(ii) family allowances; and</li> <li>(iii) age and invalid pensions;</li> </ul> </li> <li>(b) disaster relief; and</li> <li>(c) grants and subsidies made to other entities.</li> </ul>

**Unexpired Discount**      **The grant component of the concessional loan recognised on initial recognition less that portion already recognised in income (i.e., after any subsequent unwinding, or ‘writing back’, of the grant component.)**

***POLICY***

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***AASB Glossary***

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

## 5 Abbreviations

AAO	Administrative Arrangements Order
AAS	<a href="#"><u>Australian Accounting Standards</u></a> (issued by the AASB or its predecessor bodies)
AASB	The Australian Accounting Standards Board established under the <a href="#"><u>Australian Securities and Investments Commission Act 2001</u></a> , or the AAS issued by the Board, as the case requires
AFM	Advance to the Finance Minister
ANAO	Australian National Audit Office
APS	Australian Public Sector (or Service)
ATO	Australian Taxation Office
Aus	Paragraphs in the AAS or AASB Interpretations that do not appear in the text of the IASB Framework or Standards are identified with the prefix Aus, followed by the number of the relevant AASB paragraph
CAC Act	The <a href="#"><u>Commonwealth Authorities and Companies Act 1997</u></a>
CFO	Chief Financial Officer or Chief Finance Officer
CN	Competitive Neutrality
CRF	Consolidated Revenue Fund
ED	Exposure draft for a proposed Accounting Standard issued by the AASB
Finance	Department of Finance and Deregulation
FMA Act	The <a href="#"><u>Financial Management and Accountability Act 1997</u></a>
FMOs	The <i>Financial Management and Accountability Orders (Financial Statements for Reporting Periods Ending on or after 1 July 2010)</i> made by the Finance Minister under the authority of <a href="#"><u>section 63 of the FMA Act</u></a> and the <i>Commonwealth Authorities and Companies Orders (Financial Statements for Periods Ending on or after 1 July 2010)</i> made by the Finance Minister under the authority of <a href="#"><u>section 48 of the CAC Act</u></a>
FRC	Financial Reporting Council

<b>GBE</b>	<b>Government Business Enterprise</b>
<b>GFS</b>	<b>Government Finance Statistics</b>
<b>GGs</b>	<b>General Government Sector</b>
<b>IASB</b>	<b>International Accounting Standards Board</b>
<b>IFRSs</b>	<b>International Financial Reporting Standards (issued by the IASB)</b>
<b>OPA</b>	<b>Official Public Account</b>
<b>PFC</b>	<b>Public Financial Corporation</b>
<b>PNFC</b>	<b>Public Non-Financial Corporation</b>
<b>PRIMA</b>	<b>Primary Reporting and Information Management Aid</b>
<b>PRIMA Forms</b>	<b>PRIMA Forms of Financial Statements</b>
<i>PS Act</i>	<u><i>Public Service Act 1999</i></u>
<b>SAC</b>	<u><i>Statements of Accounting Concepts</i></u> issued by the AASB (or predecessor)
<b>TER</b>	<b>Tax Equivalent Regime</b>

## Part C APPLICATION AND PRESENTATION

### *OVERVIEW*

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Part C outlines how and when this schedule is to be applied and by which entities. It specifies the form and order in which information is to be presented including requirements regarding materiality and rounding. It includes requirements for certificates to be attached to the financial statements and lists exemptions from this schedule.

## 6 *Commencement*

- 6.1 Subject to [section 6.2](#), the requirements of this schedule, including Annexure A, apply to financial statements prepared for reporting periods ending on or after 1 July 2010. These requirements replace previously published Finance Minister's Orders for financial reporting.
- 6.2 For entities that cease to exist on or after 1 July 2010, the financial reporting requirements set out in this schedule shall apply.

### *POLICY*

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#### *Reporting Period*

- 6.51P Entities that have reporting periods ending on 31 December 2010 shall report in accordance with this schedule.

## 7 ***Applicable Entities***

- 7.1 **Financial statements must be prepared for the following:**
- (a) each agency and authority that it is not the parent entity in an economic entity;
  - (b) each economic entity, comprising the agency or authority and its subsidiaries; and
  - (c) each business operation.
- 7.2 **Where an agency or an authority is the parent entity in an economic entity, it must either:**
- (a) prepare parent entity financial statements as well as consolidated financial statements; or
  - (b) disclose parent entity supplementary information as prescribed in [Reg 2M.3.01 of the Corporations Regulations 2001](#) and [section 23.15\(b\)](#) in a note to the consolidated financial statements of the economic entity.

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### *POLICY*

#### ***Business Operations***

- 7.51P Agencies must prepare separate financial statements for each business operation, in addition to presenting this information in their agency financial statements.

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### *GUIDANCE*

#### ***Parent Entity Supplementary Information***

- 7.71G From 2010-11, agencies and authorities that are the parent entity in an economic entity have the option to either prepare parent entity financial statements or disclose supplementary information in a note to the financial statements of the economic entity. This is consistent with recent amendments to the *Corporations Act 2001* through the *Corporations Amendment (Corporate Reporting Reform) Act 2010*.

#### ***Business Operations***

- 7.72G Refer to [Schedule 1 of the Determination of Business Operations under Financial Management and Accountability Regulations 1997](#) for activities to be treated as business operations.

## 8 *Authoritative Requirements*

- 8.1 Where there is a conflict between this schedule and any other authoritative requirements in [section 8.2](#), entities are to apply the provisions in this schedule.
- 8.2 Subject to [section 8.1](#), the financial statements of each entity must comply with the applicable financial reporting framework. This framework comprises and requires entities to:
- (a) comply with:
    - (i) all applicable requirements of this schedule including Annexure A and other policies issued by Finance relevant to the preparation of financial statements;
    - (ii) applicable AAS and interpretations issued by the AASB that apply for the reporting period; and
  - (b) have regard to:
    - (i) guidance to this schedule and Annexure A;
    - (ii) the [Statements of Accounting Concepts 1 and 2](#) (SACs);
    - (iii) the [AASB Framework for the Preparation and Presentation of Financial Statements](#); and
    - (iv) Estimates Memorandums, [Finance Briefs](#), [Finance Circulars](#), [Financial Management Guidance](#) series, [Accounting Guidance Notes](#) and other guidance issued by Finance.

### *GUIDANCE*

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#### *Have regard to*

- 8.71G By themselves the SACs and the *Framework for the Preparation and Presentation of Financial Statements* are not mandatory in the preparation or presentation of an entity's financial statements. SACs and the Framework are sources of guidance to which entities should make reference if there is no AAS or Interpretation (refer to [AASB 1048](#)) dealing with an accounting treatment or disclosure issue.

## **9 Financial Reporting Structure and Form**

- 9.1** This schedule applies to departmental as well as administered items, unless otherwise specified.
- 9.2** The financial statements of each entity must:
- (a) include the primary financial statements, schedules and notes in the form prescribed in Annexure A;
  - (b) be presented in the English language and Australian dollars;
  - (c) for entities that operate on a for-profit basis, disclose that fact;
  - (d) disclose comparative information, unless not required by this schedule or AAS;
  - (e) include sub-total rows and/or columns (as prescribed in Annexure A) as required to reconcile to line items on the face of the primary statements (additional total and sub-total rows and columns may be included to present information required by AAS or to improve the clarity of the financial statements); and
  - (f) be presented in the following order:
    - (i) statement required by [Division 14](#);
    - (ii) primary financial statements (statement of comprehensive income, balance sheet, statement of changes in equity and cash flow statement); and
    - (iii) schedules and notes to the financial statements.
- 9.3** Where zero balances occur in the current and comparative years, the line item may be omitted, except for balances that relate to the following items:
- (a) compensation and debt relief disclosures under [Division 122](#); and
  - (b) remuneration of auditors.

### *GUIDANCE*

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#### *Professional Judgement*

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

#### *Applying the Third Balance Sheet – Departmental*

9.72G AASB 101 requires that where an entity applies an accounting policy retrospectively, that entity should make a retrospective restatement of items in their financial statements or reclassify items in their financial statements. [AASB 101 para. 39](#) requires three balance sheets to be

presented as at:

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

9.73G Entities only need to present a balance sheet at the beginning of the comparative period in accordance with [paragraph 10\(f\) of AASB 101](#) if that balance sheet is materially affected by a retrospective restatement due to:

- (a) an error;
- (b) a change in accounting policy; or
- (c) a reclassification of items in the financial statements.

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

#### *Associated Note Information*

9.75G Associated note information is only required for line items affected by the retrospective restatement or the reclassification that necessitated presentation of that balance sheet. Where associated note information is not affected by retrospective adjustment, a third column would not be needed. Examples of this might include:

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

#### *Not Required for a ‘third balance sheet’*

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

#### *Applying the Third Balance Sheet – Administered*

9.77G There is no requirement to produce a ‘third balance sheet’ in relation to administered disclosures, as no balance sheet is produced for administered items.

#### *Cross-referencing*

9.78G Each disclosure required by this schedule must be cross-referenced with other relevant notes, and/or schedules in accordance with the

requirements of AAS (e.g., [AASB 101 para. 113](#)). Any other cross-referencing should be included where it provides useful additional information.

## **10 Simplified Reporting**

- 10.1** Entities may adopt the simplified reporting provisions set out in this Division having regard to [section 8.2](#) and the order of information outlined in Annexure A.

### ***Presentation of Primary Financial Statements***

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

### ***Notes to the Financial Statements***

- 10.3** Where an amount is disclosed on the face of a primary financial statement, it is not necessary to repeat this information in the notes to the financial statements, unless this is required in conjunction with the presentation of other information.
- 10.4** Where the fair value of each class of an entity's financial assets and financial liabilities equals its carrying amount in both the current and immediately preceding reporting periods, entities may state this fact rather than disclosing fair values alongside carrying amounts.
- 10.5** In relation to Compensation and Debt Relief in Special Circumstances (see [Division 122](#)), an entity that has no transactions in either the current reporting or any comparative period, must disclose that fact by way of a note.
- 10.6** Where there are no commitments or contingencies in either the current or the immediately preceding reporting periods, it is not necessary to include a schedule for such items. Instead, that fact can be disclosed in the notes to the financial statements.
- 10.7** Entities may combine tables required in [Division 35](#) where it is considered appropriate to simplify disclosure. Sufficient information and sub-total columns must be disclosed to enable reconciliation of amounts to the corresponding line items disclosed on the balance sheet.

## *GUIDANCE*

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### *Simplified Reporting*

- 10.71G The purpose of [Division 10](#) is to ensure that items with little information value do not detract from the overall quality of financial statements.
- 10.72G Annexure A of this schedule sets out the classes of income, expenses, assets, equity and liabilities that must be presented on the face of the primary financial statements. Further breakdowns of some of these classes are required to be disclosed in the notes. Under [section 10.3](#) these breakdowns can be included on the face of the primary financial statements.

## **11 *Early Adoption of Accounting Pronouncements***

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

## *GUIDANCE*

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- 11.71G Entities must seek approval for early adoption of a new AAS due to the potential effect on the preparation of the Commonwealth consolidated financial statements.

## **12 Materiality and Information Disclosure**

- 12.1** The requirements of this schedule apply where information resulting from their application is material, or as specifically stated within the schedule.
- 12.2** Information is material if its omission, misstatement or non-disclosure has the potential, individually or collectively, to:
- (a) influence the economic decisions of users taken on the basis of the financial statements; or
  - (b) affect the discharge of accountability by management or the governing body of the entity.
- 12.3** Entities must prepare financial statements to reflect materiality of information pursuant to this schedule at the individual entity level.
- 12.4** Entities must maintain proper accounting records to support all disclosures required by this schedule and the supporting policy.
- 12.5** Each change in accounting policy must be disclosed separately.

### *POLICY*

#### ***Materiality and Presentation of Information***

- 12.51P Entities should present all information necessary to ensure true and fair disclosure. In addition to the requirements of [section 12.3](#), entities must disclose information required by the following parts of this schedule, regardless of materiality:
- (a) [Division 24 Remuneration of Auditors](#);
  - (b) [Part I APPROPRIATIONS](#);
  - (c) [Division 120 Special Accounts](#); and
  - (d) [Division 122 Compensation and Debt Relief in Special Circumstances](#).

#### ***Retention and Maintenance of Accounting Records***

- 12.52P Proper accounting records of all transactions must be maintained in accordance with applicable legal requirements, including:
- (a) [section 48 of the FMA Act](#);
  - (b) [section 20 of the CAC Act](#);
  - (c) [order 4 of the Financial Management and Accountability Orders \(Financial Statements for Reporting Periods Ending on or after 1 July 2010\)](#);
  - (d) [sections 9 and 12 of the Electronic Transactions Act 1999](#); and
  - (e) [section 24 of the Archives Act 1983](#).

## GUIDANCE

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### **Materiality**

- 12.71G In the preparation of financial statements, materiality is considered and determined by entities with reference to [AASB 1031](#).
- 12.72G [AASB 1031](#) states that significant professional judgement is required when determining the materiality of items. Such judgement is influenced by:
- (a) the nature of the entity's operation/s;
  - (b) the size of the entity;
  - (c) materiality requirements outlined in applicable AAS;
  - (d) the type of the transaction classes of the entity;
  - (e) any legislative requirements; and
  - (f) the users of the financial statements.
- 12.73G Generally, transactions and items need to be considered in context of an appropriate measurement base (this is not the case when an item is deemed to be material by this schedule). An appropriate measurement base could be all items in the financial statements, relative items, or classes of items. For example:
- (a) balance sheet items could be assessed relative to the appropriate asset or liability base;
  - (b) cash flow items could be assessed against the net cash flow for operating, investing or financing activities; and
  - (c) statement of comprehensive income items could be assessed against relative net revenue and net expense figures.
- Professional judgement is critical to this assessment process.
- 12.74G Entities should be aware that auditors will determine their own level of materiality in accordance with the auditing standards made by the Auditor General under the *Auditor-General Act 1997*.

### **Retention and Maintenance of Accounting Records**

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

## 13 Rounding Off

### General Rounding Rule

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

### Exceptions

- 13.3 For appropriations ([Part I](#)), special accounts ([Division 120](#)) and outcomes ([Division 121](#)) disclosures, the following rules apply:
- (a) these disclosure must not be rounded to the nearest \$1 million; and
  - (b) rounding must be consistent between departmental and administered reporting. Where an entity applies different levels of rounding to departmental and administered reporting, the lower level of rounding must be applied.
- 13.4 Director and executive remuneration disclosures ([Division 23](#)) must be rounded to the nearest dollar.
- 13.5 Table E disclosures, as required under [Division 104](#), must be disclosed to the cent.

*POLICY*

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*Rounding Off*

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

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

## 14 Certificates

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

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### *POLICY*

#### *Certification*

14.51P The directors may state 'signed for and on behalf of and in accordance with a resolution of the directors'.

14.52P Entities are required to disclose additional information as necessary to

give a true and fair view under [sections 14.2](#) and [14.3](#) of this schedule and under [subsection 49\(3\) of the FMA Act](#) and [subclause \(2\) of Schedule 1 of the CAC Act](#).

#### *GUIDANCE*

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

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

- 15.1** Subject to [section 15.4](#), agencies must distinguish items as departmental or administered in the financial statements for all disclosures outlined in this schedule.
- 15.2** The financial statements of agencies must present departmental and administered items in accordance with Cabinet decisions on their classification.
- 15.3** No changes are to be made to the classification of existing items without the approval of Cabinet or the Finance Minister.
- 15.4** Money held in trust for other persons is neither departmental nor administered. Specific reporting requirements apply in relation to assets held in trust (refer to [Division 38](#) of this schedule).

### *POLICY*

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#### *Departmental vs. Administered*

- 15.51P Since 1 July 2007, the determination, as either departmental or administered, is decided by the Cabinet through the consideration of new policy proposals.
- 15.52P The classification of existing items, in addition to any other situations not considered above, will be made by the Finance Minister, in consultation with the Prime Minister, where necessary.

#### *CAC Act bodies*

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

### *GUIDANCE*

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#### *Reclassification of Departmental and Administered Items*

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

### ***Criteria for Classifying Items***

15.72G The key distinction is that activities appropriated as administered usually operate under eligibility rules and conditions set by the Government and Parliament, with little if any discretion for agencies' Chief Executive Officers in the delivery of these activities or the resources allocated to them. Departmental activities operate within general government policy, but the Chief Executive Officer of the agency has a greater level of discretion in the allocation of resources within the agency to meet government objectives, taking into account changing circumstances and requirements.

15.73G Cabinet will use the following to distinguish between departmental and administered items:

**(a) Items associated with the day-to-day operations and program support activities of the department or agency will be classified as *departmental*, including:**

- (i) all salaries and related employment costs, superannuation and other employees benefits other than those specifically determined as being administered in nature;
- (ii) property operating expenses;
- (iii) goods and services used for operations and program support including contractor and consultancy services, policy and program design, research, advertising and public relations services (excluding campaign and program advertising);
- (iv) accounts payable and receivable for departmental operations;
- (v) revenue retainable by government policy (e.g., net appropriations); and
- (vi) assets for the entity's own use, including IT systems.

**(b) Administered items includes:**

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

- 15.74G An item that is, in nature, both departmental and administered is considered as departmental, unless it can be demonstrated to be predominantly administered (i.e., more than fifty per cent), in which case it is considered as administered.
- 15.75G Where the classification is not immediately identifiable or where there is uncertainty about which classification should be applied, the Budget Framework Branch within Finance should be contacted to assist in resolving the issue.

## **16 Exemptions from this Schedule**

- 16.1 The Finance Minister may grant a written exemption to the Chief Executive Officer of an agency, or directors of an authority, from any specified requirements of this schedule.**
- 16.2 An exemption may be granted subject to conditions, including a requirement for alternative forms of disclosure.**
- 16.3 The Chief Executive Officer or directors must disclose the particulars of any exemptions applied by the entity in the financial statements that were granted under [section 16.1](#) and [Division 17](#).**

### *GUIDANCE*

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- 16.71G An exemption that has been granted but not applied by the entity does not have to be disclosed under [section 16.3](#).
- 16.72G An exemption will not be supported by Finance if it results in non-compliance with an AAS.

## **17 Approved Exemptions**

- 17.1 Certain limited exemptions to this schedule apply to entities as specified below.
- 17.2 [Section 33.7](#) constitutes an approved exemption for a for-profit entity or an entity that is a university to elect not to apply the requirements at [sections 33.2, 33.3, 33.5](#) and [33.6](#) relating to valuation of non-financial assets.
- 17.3 [Section 23.1](#) provides an exemption to for-profit entities from making disclosures under [Division 23](#); however these entities are required to make the necessary disclosures in accordance with [AASB 124](#).
- 17.4 [Section 44.3](#) provides an exemption to PFCs and GBEs allowing them to apply any of the three recognition options for recognising actuarial gains and losses for defined benefit plans as outlined in AASB 119. All other entities are to apply the direct to equity option of recognising actuarial gains and losses for defined benefit plans as outlined in [AASB 119](#).
- 17.5 The Australian Office of Financial Management (AOFM) is excluded from the requirement to present the schedule of administered items and associated administered notes required by [section 85.1](#) and Annexure A. However, AOFM must instead adhere to the statement of comprehensive income reporting requirements of [AASB 101](#).
- 17.6 In accordance with [section 38.4](#), intelligence and security agencies, defence agencies and prescribed law enforcement agencies are exempt from making disclosures under [Division 38](#).
- 17.7 The Reserve Bank of Australia is not required to prepare financial statements in the format prescribed by Annexure A. The Reserve Bank of Australia may determine the format of the financial statements to the extent that it applies generally accepted industry reporting principles and applicable AAS.
- 17.8 The Future Fund is exempt from presenting the financial statements required by this schedule and Annexure A, on the condition that:
- (a) the Future Fund presents its financial statements as a single entity;
  - (b) the financial statements are presented in a format consistent with that used in the funds management industry and applying applicable AAS;
  - (c) the financial statements for the Future Fund contain sufficient information to ensure appropriate accountability and transparency, consistent with that applying to general purpose financial statements;

- (d) the Future Fund present such additional disclosures as required in [Division 23](#), [Division 81](#), [Part H](#) and [Part J](#), to the extent that they are relevant to the Future Fund's operations; and
  - (e) to the extent that there is a conflict between paragraph [\(b\)](#) and paragraphs [\(c\)](#) and [\(d\)](#), paragraphs [\(c\)](#) and [\(d\)](#) will have precedence.
- 17.9 The term Future Fund refers collectively to the Board of Guardians and the Future Fund Management Agency as well as the Future Fund itself including the investments and special account constituted under the [Future Fund Act 2006](#).
- 17.10 In the presentation of the financial statements required under the [Aboriginal and Torres Strait Islander Act 2005](#), the Aboriginal and Torres Strait Islander Land Account (Land Account) is exempt from the following items in this schedule:
- (a) [Part G](#) and the administered disclosures in Annexure A;
  - (b) [Part I](#) to the extent that the Land Account has no appropriation transactions and balances other than through its special account;
  - (c) [Division 121](#) to the extent that the Land Account does not have any defined outcomes; and
  - (d) [Division 122](#) to the extent that the Land Account has not made any payments specified in that Division.
- 17.11 The Land Account is required to present its administered activities in departmental format as illustrated in Annexure A. The accounting policy note must clearly state that all activities are administered.
- 17.12 Other entities that include the activities of the Land Account must continue to comply with this schedule in the preparation of their financial statements.
- 17.13 In the presentation of the financial statements required under the [Aboriginal Land Rights \(Northern Territory\) Act 1976](#), the Aboriginals Benefit Account is exempted from the items listed in [section 17.10](#) under the same conditions imposed on the Land Account in [sections 17.11](#) and [17.12](#).
- 17.14 The Australian Reinsurance Pool Corporation (ARPC) is not required to prepare financial statements in the format prescribed by Annexure A. ARPC may determine the format of the financial statements to the extent that it applies generally accepted industry reporting principles and applicable AAS.
- 17.15 The Australian National University (ANU) is exempt from the requirements of [Division 18](#) and the format of the statement of comprehensive income in Annexure A, on the condition that the ANU presents that statement in accordance with the Financial Statement Guidelines for Australian Higher Education Providers required by the Department of Education, Employment and

**Workplace Relations to the extent those Guidelines are not inconsistent with AAS.**

- 17.16 The Department of Defence (Defence) is exempt from reporting Star Ranked reservists, who are not employed on a continuous full time service basis and whose remuneration and remuneration packages are less than \$150,000, in the disclosures required by [Division 23](#), on the condition that Defence disclose this fact by way of footnote.**

## Part D STATEMENT OF COMPREHENSIVE INCOME (Excluding Appropriations)

### OVERVIEW

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

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

## 18 *Statement of Comprehensive Income*

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

### GUIDANCE

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

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

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

#### *Net Cost of Services (NCOS)*

- 18.73G The NCOS approach requires the statement of comprehensive income to be presented in a format (see Annexure A) that emphasises the net cost of service delivery.
- 18.74G The first section of the statement of comprehensive income lists the entity's expenses and retained income. The difference between these two amounts is the net cost of, or net contribution by, services, disclosed as a new line item.
- 18.75G In the second section, agencies subject to the *FMA Act* include their

departmental appropriation revenue, whereas *CAC Act* bodies need to disclose grant revenue from Government, being amounts that were appropriated to their portfolio agency for payment to the *CAC Act* body.

18.76G The NCOS format has no impact on the surplus/(deficit) position of an entity; it simply orders items to enable comparison between Government funds appropriated or received and the net cost of service delivery.

18.77G As for-profit entities are principally focused on generating profit and receive minimal or no Government funding, they are not required to prepare the statement of comprehensive income on a NCOS basis.

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

### **Grants**

#### **19.1 For-profit entities must:**

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

### *GUIDANCE*

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#### *Income General Information*

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

#### *Grants*

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

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

#### *Paid Parental Leave*

19.74G Finance does not consider receipts by employers under the Paid Parental Scheme as income of the employer. However, there are a range of views about this. Receipts and payments may be offset in the Statement of Comprehensive Income.

## 20 Expenses – General Information

### GUIDANCE

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

#### *Transfer of Annual and Long Service Leave Entitlements*

- 20.73G An amount received for the transfer of annual and long service leave entitlements is a prescribed amount for the purposes of [section 31 of the FMA Act](#). Further, [AASB 1004 para. 42\(b\)](#) requires that when a payment is made or is to be made to the transferee government department in consideration for the assumption of the liability, the transferee government department recognises the liability assumed and an increase in assets (cash or cash receivable). Where the payment is less than the total amount of the liability for employee entitlements assumed, the transferee government department recognises an expense equal to the amount of that shortfall. No revenue is to be recognised for the transfer.

## 21 Borrowing Costs

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

### GUIDANCE

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- 21.71G Under [AASB 123 para. Aus8.1](#), a not-for-profit public sector entity may elect to recognise borrowing costs as an expense in the period in which they are incurred regardless of how the borrowings are applied. In accordance with [section 21.1](#), the alternative treatment allowed under [AASB 123](#) is not to be adopted.

## 22 Operating Leases

- 22.1 Entities must recognise minimum operating lease payments as expenses on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the leasee's benefit.
- 22.2 Contingent operating lease rentals are recognised as expenses in the period in which they are incurred.

### *POLICY*

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

### *GUIDANCE*

#### *Disclosure of Leases*

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

#### *Definitions*

- 22.73G Minimum lease payments exclude contingent rent. Contingent rent includes Consumer Price Index (CPI) escalation clauses and market rent reviews (but not fixed rental increases).

#### *Lease Incentives*

- 22.74G In relation to lease incentives, refer to [Accounting Guidance Note No. 2007/3 Accounting for Lease Incentives](#).

#### *Identifying Leases*

- 22.75G Further guidance on how to determine if an arrangement constitutes or contains a lease can be found in [Interpretation 4 Determining whether an arrangement contains a lease](#).

## **23 Director/Executive Remuneration**

### **Scope**

- 23.1 Not-for-profit entities must disclose directors' and senior executives' remuneration in compliance with this Division. For-profit entities are exempt from making these disclosures but they must make disclosures required by [AASB 124](#).
- 23.2 This Division applies to the following groups of individuals:
- (a) senior executives of an agency;
  - (b) senior executives and directors of an authority;
  - (c) senior executives and directors of the economic entity, where an agency or authority is the parent in the economic entity; and
  - (d) for the purposes of [section 23.5\(c\)](#) only, all other employees.
- 23.3 For the purpose of this Division, where an individual referred to in [section 23.2](#) is both a senior executive and director of the same entity, they are to be reported as a senior executive only.
- 23.4 Remunerations of senior executives and directors are to be disclosed separately.

### **Disclosure – Senior Executives**

- 23.5 Entities must disclose the following in the notes to the financial statements in respect of senior executives:
- (a) *Table A Senior Executive Remuneration Expenses for the Reporting Period;*
  - (b) *Table B Average Annual Remuneration Packages and Bonus Paid for Substantive Senior Executives as at the end of the Reporting Period;* and
  - (c) the number of employees whose salary plus performance bonus for the financial reporting period were \$150,000 or more, who did not have a role as senior executive or director.

#### **Table A Senior Executive Remuneration Expenses for the Reporting Period**

- 23.6 Table A must include the actual remuneration expensed (showing major categories of employee benefits) on senior executives. Table A excludes individuals that meet both of the following criteria:
- (a) on an acting arrangement and/or have not been employed by the entity for the full financial reporting period; and
  - (b) have total remuneration for the financial reporting period less than \$150,000.

**Table B Average Annual Remuneration Packages and Bonus Paid for Substantive Senior Executives as at the end of the Reporting**

- 23.7 Fixed package elements and performance bonus paid are to be included in Table B, whereas variable package elements are to be disclosed by way of footnote to Table B.
- 23.8 Table B must include the following information on substantive senior executives if applicable as at the end of the reporting period for the total remuneration package band of \$0 to less than \$150,000 and each successive \$30,000 band:
- (a) the number of individuals;
  - (b) the average annualised salary of the individuals in that band applicable at reporting date;
  - (c) the average annualised fixed allowances of the individuals in that band applicable at reporting date;
  - (d) the total of [subsections \(b\) and \(c\)](#);
  - (e) the average performance bonus paid during the financial reporting period to individuals in that band; and
  - (f) as a footnote to the table, information about the methodology for calculating the variable packages elements (which are not included in [subsections \(b\) to \(e\)](#)).

**Disclosure – Directors**

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

**Secondment Arrangements**

- 23.10 For the purposes of [section 23.6](#) and [section 23.9](#), the entity that is the recipient of a senior executive or director in a secondment arrangement must disclose the amount of remuneration of that individual for that arrangement. This is regardless of whether the remuneration is paid by the recipient entity, or otherwise received as resources free of charge by the recipient entity.
- 23.11 For the purposes of Table B, the recipient entity must disclose the remuneration package of a senior executive, provided the secondment arrangement is still in effect at the end of the reporting period.

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

***Fee for Service Contract***

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

***Star Ranked Military Officers***

**23.14** The remuneration of star ranked military officers includes short periods of less than six months continuous duration of secondment or deployment.

***Consolidated Financial Statements***

**23.15** When preparing the consolidated financial statements for an economic entity, the parent entity is required to:

- (a) disclose the senior executives, directors and other employees in the parent entity and the economic entity in accordance with the requirements of Division 23; and
- (b) prepare the disclosures required by Division 23 for the senior executives, directors and other employees in the parent entity, (where the parent entity elects to disclose only parent entity supplementary information as permitted by [section 7.2\(b\)](#)).

<p><b><i>POLICY</i></b></p> <hr/> <p><b><i>Definitions</i></b></p> <p><b>23.51P</b> Senior executive means:</p> <ul style="list-style-type: none"><li>(a) chief executive officers and equivalents, Senior Executive Service (SES) and equivalent officers classified in Groups 9-11 of the <a href="#">Public Service Classification Rules 2000</a> and star ranked military officers;</li><li>(b) a person falling within the definition of a senior manager of an authority under <a href="#">section 5 of the CAC Act</a>. That is, a person (other than a director of the authority, a Minister, or an APS employee engaged as an employee for the purposes of an Agency other than the authority) who:<ul style="list-style-type: none"><li>(i) makes, or participates in making, decisions that affect the whole, or a substantial part, of the operations of the authority; or</li><li>(ii) has the capacity to affect significantly the authority's</li></ul></li></ul>
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financial standing; and

- (c) senior managers of an agency:
  - (i) who perform functions controlling operational activities, which directly impact the economic function and viability of the entity; and
  - (ii) whose employment conditions are equivalent to SES employment conditions of service.

23.52P Senior executive excludes Australian Prudential Regulation Authority (APRA) members. APRA members are to be disclosed as directors in accordance with [section 23.9](#).

23.53P For the purpose of this Division, a star ranked military officer means:

- (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.

23.54P Remuneration is broadly consistent with the definition of employee benefit contained in [AASB 119 para. 7](#). It means amounts received or due and receivable, directly or indirectly, from the entity or any entity in connection with the management of the affairs of the entity or its subsidiaries.

For the purpose of this Division, remuneration does not include:

- (a) amounts paid to a senior executive employed by an entity or its subsidiary where the person worked during the reporting period wholly or mainly outside Australia during the time the person was so employed; or
- (b) amounts in payment or reimbursement of out-of-pocket expenses incurred for the benefit of the entity or any of its subsidiaries.

23.55P Senior executives who worked wholly or mainly outside Australia during the reporting period are excluded from Table B.

#### ***Other Highly Paid Staff***

23.56P For the purposes of [section 23.5\(c\)](#), the following employees are excluded from being disclosed:

- (a) those posted wholly or mainly outside Australia during the reporting period; and
- (b) those deployed outside Australia during the reporting period.

#### ***Measurement***

23.57P Remuneration must be measured in accordance with [AASB 119](#), except where specifically stated otherwise in this schedule.

### ***Promotion During the Reporting Period***

23.58P Where individuals are promoted to a position of senior executive during the reporting period, all other remuneration paid prior to the promotion are excluded from remuneration calculations for the purpose of this Division.

### ***Star Ranked Military Officers***

23.59P Notwithstanding [subregulation 4\(1\)\(a\) of the FMA Regulations](#) and [item 139 of Schedule 1 of the FMA Regulations](#), the remuneration of star ranked military officers posted to the Defence Materiel Organisation (DMO) are reported by the Department of Defence (Defence) and not the DMO. Additional information should be provided where appropriate by Defence and the DMO to indicate the resources used.

### ***Salary Bands***

23.60P Bands within which no individual's remuneration package falls can be excluded from the disclosure.

## ***GUIDANCE***

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### ***General Comments***

23.71G Table A discloses information on senior executive remuneration expenses during the reporting period whereas Table B discloses remuneration packages as at the end of the reporting period, as well as the average performance bonus paid.

23.72G In determining whether a senior executive's remuneration falls within a particular salary band:

- (a) for the purpose of Table A, it is *actual* remuneration; and
- (b) for the purpose of Table B, it is the *annual* remuneration package (excluding performance bonus paid).

### ***Secondment Arrangements***

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

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

23.74G The essence of a secondment arrangement is that:

- (a) in the case of an APS employee, they formally remain an employee of that agency but are assigned duties by the home agency head in another APS agency or with an outside employer

(host employer); and

- (b) if the employee is a non-APS employee, they are directed by their home employer to perform duties in an APS agency while continuing to be an employee of the home (non-APS) employer.

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

23.76G To illustrate the requirements of [section 23.10](#) and [section 23.11](#):

- (a) an individual, who is an employed by entity A as a senior executive for the first three months of the reporting period (remuneration of \$60,000 during this period); and
- (b) entity A subsequently enters into a secondment arrangement with entity B (for that employee as a senior executive) for the remainder of the reporting period (remuneration of \$180,000 paid by entity A during this period);

his/her remuneration would be \$60,000 for the purpose of entity A's senior executive disclosures and \$180,000 for the purpose of entity B's senior executive disclosures. Therefore, his/her remuneration would be disclosed in Table A and remuneration package in Table B of the senior executive note for entity B.

#### ***Fee for Service Arrangements***

23.77G Fee for service arrangements occur where an executive or director employed by one entity is sub-contracted out under a formal contract arrangement (e.g., a memorandum of understanding) to a second entity and the charges for the services under the contract are calculated using a fixed rate (e.g., hourly/daily/monthly).

23.78G Where it is material, the recipient entity in a fee for service contract discussed in [section 23.13](#) should make appropriate disclosure to indicate the resources used.

#### ***Remuneration for Individuals who are both a Director and a Senior Executive***

23.79G To illustrate [section 23.3](#), an individual, who:

- (a) was a senior executive for the first six months of the reporting period (remuneration of \$100,000 during this period);
- (b) subsequently was both a director and senior executive for a period of three months (remuneration of \$20,000 and \$50,000 for the senior executive role and director role, respectively during this period); and
- (c) continued as a director but ceased being a senior executive for the rest of the reporting period (remuneration of \$20,000 during this period);

his/her remuneration would be \$170,000 for senior executive

disclosures and \$20,000 for director disclosures.

***Definition - Remuneration***

23.80G See [Accounting Guidance Note No. 2007/2 \(Revised\) Identification of Executive Remuneration](#), for further guidance on what is included in remuneration.

***Termination Benefits***

23.81G Previously, termination benefits expenses were required to be disclosed as a footnote. However, from 2010-11 these expenses will be disclosed as a separate line item in Table A.

***Leave Paid Out on Separation***

23.82G Leave paid out on separation is excluded from the disclosure under this Division.

***Categories of Employee Benefits***

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

- (a) short-term employee benefits (e.g., salary (including annual leave taken), annual leave accrued and performance bonus);
- (b) other long-term benefits (e.g., long-service leave, long-term disability benefits, profit-sharing, and bonuses);
- (c) post-employment benefits (e.g., superannuation, post-employment life insurance and post-employment medical care); and
- (d) termination benefits.

***Part-timers***

23.84G Part-timers are not excluded from any of the disclosures in this Division.

***Individuals who are not Directors or SES***

23.85G For the purposes of [section 23.5\(c\)](#), the salary and performance bonuses are the cash paid for the reporting period (i.e., as per an individual's group certificate).

***Table A Senior Executive Remuneration Expense for the Reporting Period***

23.86G Table A is to include the movement in leave expenses, not leave provisions for the period. For example, if an employee is entitled to 3 weeks leave from prior years, accrues an additional 4 weeks leave during the reporting period, and takes 2 weeks leave, the amount included in Table A would be the value of the additional 4 weeks accrued.

23.87G Leave balances transferred from other agencies are not to be included

where they only impact on the provision rather than the expense in accordance with [AASB 1004 para. 42](#).

23.88G 'Performance bonuses' are the expenses incurred during the reporting period (i.e., not the cash paid).

***Table B Average Annual Remuneration Packages and Bonus Paid for Substantive Senior Executives as at the end of the Reporting***

23.89G Executive remuneration disclosures are required in Table B even where there is only a single senior executive within a particular band.

23.90G For the purposes of Table B, senior executives acting at a higher SES level at the end of the reporting period should be disclosed at the higher level remuneration packages.

23.91G For the purposes of [section 23.8\(f\)](#), the following are examples of variable package elements:

- (a) performance pay;
- (b) superannuation;
- (c) variable allowances; and
- (d) leave entitlements.

23.92G Senior executives are not excluded from Table B merely because they are on leave, including extended leave or leave without pay.

23.93G Table B includes substantive senior executives on part-year service if employed at the end of the reporting period but not those in an acting arrangement (with the exception of substantive senior executives acting at a higher level).

23.94G Salary should be included as per an individual's agreement (i.e., equivalent to 52 weeks).

23.95G If senior executives were substantive at the end of the reporting period, but were only employed for part of the year, the annual remuneration package is still included.

23.96G [Section 23.8\(e\)](#) represents average actual bonuses paid during the reporting period.

## **24 Remuneration of Auditors**

- 24.1** The fair value of any of the services provided free of charge by auditors must be shown in the notes to the financial statements. For the purpose of this Division, performance audits are not taken to be services provided to an entity.
- 24.2** Entities must disclose the extent to which auditor's remuneration is paid to an auditor other than the Auditor-General.

### *POLICY*

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- 24.51P The amount disclosed under [section 24.1](#) of this schedule must be recorded as resources received free of charge, with a corresponding expense.

### *GUIDANCE*

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#### *Remuneration of Auditors*

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

## 25 ***Operating Expenditure***

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

#### *GUIDANCE*

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##### ***Collection Institutions***

- 25.71G Collection Institution is defined in [Division 4](#).
- 25.72G Only direct costs are to be included as operational expenditure for heritage and cultural assets. Direct costs are expenses identified as having been specifically incurred by or for the heritage and cultural assets, including upkeep/maintenance. Indirect costs such as corporate administration costs or costs that have been capitalised are not included.
- 25.73G The following is a list of expenditure items that Collection Institutions might include in operating expenditure for heritage and cultural assets:
- (a) supply of goods and services (e.g., outsourced repairs to artwork or insurance costs);
  - (b) direct labour on-costs (e.g., the salaries and associated costs of staff researching and restoring items);
  - (c) lease of storage facilities;
  - (d) associated utility costs (e.g., electricity, water, gas);
  - (e) cataloguing costs;
  - (f) containers, and packaging and transportation;
  - (g) cleaning of collections and storage facilities; and
  - (h) substitution costs (e.g., costs of preparation of copies/surrogates of art work for public display).
- 25.74G Depreciation is not operating expenditure for the purposes of [section 25.1](#).
- 25.75G Where a proportion of a staff member's time is not utilised for activities exclusively related to a heritage and cultural asset, the cost of the staff member is to be apportioned (to operational expenditure) to reflect the cost incurred specifically for the heritage and cultural asset.

## Part E BALANCE SHEET

### *OVERVIEW*

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

## 30 *Financial Assets – General Information*

### *GUIDANCE*

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30.71G Appropriations receivable are measured at their nominal amounts. Being non-contractual, they are not financial instruments under [AASB 139](#) and thus are not discounted in accordance with that Standard.

## 31 *Receivables for Statutory Charges*

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

### *GUIDANCE*

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- 31.71G Receivables for statutory charges (such as taxes) are assessed for impairment under [AASB 136](#) as they are not financial instruments under [AASB 139](#), being non-contractual.
- 31.72G Receivables for statutory charges are assessed for impairment on an individual asset basis as they generate cash flows that are largely independent of those from other assets or groups of assets.
- 31.73G In some cases, due to the number of receivables for statutory charges, it is not practicable to assess all receivables individually. [AASB 136 para. 23](#) allows the use of estimates, averages and shortcuts. These approaches can be used to approximate individual assessments using a group methodology. Nonetheless, significant receivables should be assessed on an individual basis.

## 32 Investment of Surplus Money by Authorities

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

### GUIDANCE

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

### **33 Valuation of Non-Financial Assets**

- 33.1 This Division applies to assets within scope of [AASB 116](#), [AASB 138](#) and [AASB 140](#).
- 33.2 Unless required by the applicable standard to be measured otherwise, subsequent to initial recognition entities must measure every type of asset listed below at fair value in accordance with [AASB 116](#) or [AASB 140](#) as applicable:
- (a) land;
  - (b) buildings;
  - (c) heritage and cultural assets (where not intangible assets);
  - (d) investment properties; and
  - (e) other property, plant and equipment.
- 33.3 Intangible assets must be valued by class in accordance with [AASB 138](#), at:
- (a) cost, in the absence of an active market; or
  - (b) fair value, where an active market exists for all assets in a class.
- 33.4 The cost model must be applied to specialist military equipment.
- 33.5 Each non-financial asset listed in [section 33.2](#) or recognised in compliance with [section 33.3\(b\)](#), other than investment properties, must be assessed each year to ensure that the carrying amount does not differ materially from fair value as at reporting date. If there is a material difference then revaluation of the entire class is required.
- 33.6 Investment property must be revalued annually in compliance with [AASB 140](#).
- 33.7 For-profit entities and entities classified as universities may elect not to apply the requirements under this Division.

#### *POLICY*

##### *Valuation and Asset Recognition*

- 33.51P For the purpose of [section 33.4](#), specialist military equipment excludes fuel, explosives ordnance, general stores and consumables.

##### *Collection of Information for Reporting*

- 33.52P Where an entity elects to apply [section 33.7](#) for their statutory reporting, that entity must also collect information to allow for consolidation into the CFS.

***Asset Recognition, Valuation and Depreciation***

- 33.71G Unless otherwise stated in the AAS, property, plant and equipment, intangibles and assets under construction are not depreciated until they are held ready for use. For example, investment property where there is no depreciation of the assets under the fair value model.
- 33.72G Either the gross or net approach to disclosing revalued assets may be used as permitted by [AASB 116 para. 35](#).
- 33.73G Revaluations should be typically undertaken by an independent professionally qualified expert, such as qualified valuers or quantity surveyors. However, in-house expertise may be used where controls are in place to ensure the integrity and correctness of valuations and the probability of over or under valuation is low. For example, one key control may be the approval of the in-house methodology used, by an independent professionally qualified expert.
- 33.74G An annual assessment does not necessarily have to be undertaken by an independent expert. Revaluations using an appropriate index may be performed in years where no independent valuation is undertaken. However, entities need to ensure that the carrying amount of assets is not materially different from fair value as at balance date (see [AASB 116 para. 34](#)).
- 33.75G Assets held for sale as defined in [AASB 5](#) are valued differently because their future economic benefits are represented by the cash expected from disposal, rather than service potential from continued use. See [Accounting Guidance Note No. 2007/5 Accounting for Non-current Assets Held for Sale](#) for additional guidance.
- 33.76G Internally developed software is separable as defined by [AASB 138](#) and hence can be recognised as an asset when it meets the criteria under [AASB 138 para. 21](#) and [AASB 138 para. 57](#). For more guidance on accounting for internally developed software refer to [Accounting Guidance Note No. 2007/1 Accounting for Internally Developed Software](#).
- 33.77G A class of assets is defined by [AASB 116](#) as a grouping of assets of a similar nature and use in an entity's operations. If an asset that is of a type listed in [section 33.2](#) is to be revalued, every other asset in the class in which that asset falls must also be revalued. Types of assets referred to in [section 33.2](#) are not automatically synonymous with classes.
- 33.78G For information on accounting for subsequent expenditure on property, plant and equipment, refer to [Accounting Guidance Note No. 2007/7 Accounting for Subsequent Expenditure on Property, Plant and Equipment](#).

- 33.79G Land under roads is to be accounted for in accordance with [FinanceBrief 35](#).
- 33.80G Regarding [section 33.2](#), entities must measure those assets at fair value but only in accordance with the relevant standards. For example, an entity that, in the course of its ordinary activities, routinely sells items of property, plant and equipment that it has held for rental to others shall account for such assets as per [AASB 116 para. 68A](#).

## 34 *Impairment of Non-Financial Assets*

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

### *POLICY*

- 34.51P [AASB 136](#) allows impairment testing of cash generating units where it is not possible to estimate the recoverable amount of the individual assets. Entities, or parts of entities, other than those whose predominant purpose is to generate net cash inflows, are not cash-generating units for the purpose of [AASB 136](#).

### *GUIDANCE*

#### *Generation of Cash Inflows*

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

#### *Impairment Process*

- 34.72G Entities must assess assets for indications of impairment at least annually. Where there is indication that an asset may be impaired, the entity must test the individual asset for impairment. In testing an asset for impairment, an entity must assess the recoverable amount of the asset in accordance with [AASB 136](#).
- 34.73G Not-for-profit entities must refer to [AASB 136 para. Aus32.1](#) in respect of non-cash generating assets whose economic benefits would be replaced if the entity was deprived of them.
- 34.74G Impairment under [AASB 136](#) is a two step process that involves:
- (a) testing assets for indications of impairment; and
  - (b) only where indications of impairment have been established for an asset/s, performing the recoverable amount test and making any required adjustment for impairment loss/es.
- 34.75G [AASB 136 para. 10](#) requires the following items to be tested for impairment annually regardless of any indications of impairment:
- (a) intangibles with indefinite useful lives;
  - (b) intangible assets not yet available for use (intangible assets under construction); and

(c) goodwill acquired in business combinations.

34.76G Entities should adopt a risk management approach to reviewing assets for impairment, which means that a more in-depth review should be undertaken of:

- (a) significant assets (high dollar value); and
- (b) those assets which by their nature are more likely to be impaired.

***Indicators of Impairment***

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

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

## **35 Analysis of Non-Financial Assets**

**35.1** Notes to the financial statements must include the following presented in accordance with Annexure A:

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

## **37 Heritage and Cultural Assets**

- 37.1** Heritage and cultural items must only be recognised as assets where they meet the asset definition and recognition criteria set out in [AASB 116](#) or [AASB 138](#).
- 37.2** Only assets that are primarily used for purposes that relate to their cultural, environmental or historical significance are to be accounted for as heritage and cultural assets.
- 37.3** When an entity controls or administers assets that are accounted for as heritage and cultural assets, the notes to the financial statements must disclose:
- (a) a description of those items; and
  - (b) the curatorial and preservation policies for heritage and cultural assets. Where these policies are publicly available entities may instead provide a cross-reference to this information. These policies must include details on acquisition, preservation, management and disposal of heritage and cultural assets.
- 37.4** For the purposes of this Division, the term ‘government department’ referred to in the statement listing pertinent entities in Australian Implementation Guidance to [AASB 116](#) means an entity as defined in these Orders.

### *POLICY*

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- 37.51P** Heritage and cultural items do not include structures constructed to assist with the display, transport or storage of the asset. For example, backdrops, hanging apparatus, storage racks or protective cases are not captured by the definition of a heritage or cultural asset unless the item has such value in its own right or is an integral part of the item. 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.

## *GUIDANCE*

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### ***Asset Recognition Criteria***

- 37.71G Not all heritage or cultural items will meet the accounting definition of assets despite having intrinsic heritage value. Only items that are useful to the entity in achieving its objectives and have a financial value that can be reliably measured are recognised as assets.
- 37.72G Where a heritage and cultural asset is irreplaceable and has no market price, it is unlikely that its value can be reliably measured.

### ***Heritage and Cultural Items***

- 37.73G The AAS contemplate indefinite useful lives for some assets and non-depreciation in circumstances where assets have indefinite useful lives.
- 37.74G Heritage and cultural assets are assets used for the community's benefit, and represent, in part, Australia's cultural and historic background. Generally such assets attract funding from the budget for preservation, curation and restoration activity, ensuring these assets remain part of Australia's heritage for as long as possible.
- 37.75G Heritage and cultural 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.
- 37.76G In accordance with [AASB 116 para. G3](#), where appropriate curatorial and preservation policies are established, heritage and cultural assets may be deemed to have an indefinite useful life, and as such, not depreciated. Entities should ensure such policies satisfy the criteria in the Implementation Guidance to [AASB 116](#) and only depreciate these assets where they are determined to have a limited life.

### ***Primary Use of Assets***

- 37.77G One example of an item subject to [section 37.2](#) is buildings of historical interest that are used primarily to provide office accommodation. These should not be accounted for as heritage and cultural assets.

### ***Curatorial and Preservation Policies***

- 37.78G Entities are not required to disclose sensitive material (e.g. information about fraud/theft prevention) contained in the same document as curatorial or preservation policies.

## **38 Assets Held in Trust**

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

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### *POLICY*

#### *Trust Disclosures*

38.51P This Division applies to agreements that constitute a legal trust (including for charitable purposes under trust law). Legal advice

should be obtained if an entity is unsure as to whether or not an asset is held in trust.

38.52P All trust accounts must be identified by the type of trust (beneficiary or other third party purpose) and must be disclosed in the notes to the financial statements.

38.53P The valuation of non-financial assets held in trust is dependent on the asset having an active market as well as the cost of valuation to the entity. Where an active market exists and the asset can be cost-effectively and reliably measured, a fair valuation must be made. Where a valuation would be impractical or uneconomical to perform, a disclosure to this effect may be made in place of a valuation under [section 38.2](#).

38.54P Intelligence and security agencies, defence agencies and prescribed law enforcement agencies, while exempt from the disclosure requirements under [Division 38](#) due to the nature of their operations, are encouraged to disclose the general nature of assets held in trust.

38.55P [Section 38.3](#) does not limit the measurement and disclosure requirements otherwise imposed by this schedule. Where, for example, an entity is both trustee and beneficiary of a trust, trust assets will be required to be disclosed in the entity's financial statements in accordance with this Division.

#### ***Special Accounts***

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

#### ***Unidentified Receipts***

38.57P Money found on Australian Government premises and other unidentified receipts are administered revenue and are not to be treated as assets held in trust.

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#### ***Trust Money***

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

#### ***Unidentified Receipts***

38.72G For agencies, unidentified receipts (including money found on Australian Government premises), should be treated as administered revenue and deposited to the OPA. Agencies will need to keep

appropriate records of such unidentified receipts. Where a receipt is subsequently identified and reimbursement to the original payer is required, agencies should seek a refund from the OPA ([section 28 of the FMA Act](#)). Agencies should contact the Forex, Special Accounts and Net Appropriations Section, Financial Framework Policy Branch within Finance for additional information and guidance.

***Public Money Held by Outsiders***

38.73G [Section 45.89G](#) contains information in relation to public money held by outsiders.

## **39 Joint Ventures**

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

***GUIDANCE***

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39.71G [AASB 131](#) allows entities to recognise interests in jointly controlled entities using proportionate consolidation as an alternative to the equity method. Australian Government entities must apply the equity method to facilitate whole-of-Government consolidation.

## 40 *Liabilities – General Information*

### *GUIDANCE*

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#### *Liabilities*

- 40.71G Entities must recognise financial liabilities in compliance with [Division 45](#) and other requirements of this schedule.
- 40.72G A liability would be recognised only when the entity has little or no discretion to avoid the sacrifice of future economic benefits. An essential characteristic of a liability is the existence of a present obligation, being a duty or responsibility of the entity to act or perform in a certain way. For example, a liability for workers' compensation premium is recognised at the earlier of:
- (a) the start of the period for which there is a legal obligation to have workers compensation insurance; and
  - (b) when the invoice is due to be paid under the terms of the contractual arrangement for insurance coverage.

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

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

#### *Obligations*

- 40.73G The existence of an obligation does not require the identity of the party to whom an obligation is owed to be known. This party may be different from the party/ies that will receive goods and services in satisfaction of the obligation.
- 40.74G While most obligations are legal, others are constructive. A constructive obligation, as defined in [AASB 137 para. 10](#), is created, inferred or construed from the facts in a particular situation rather than contracted by agreement or imposed by Government. For example, a constructive obligation would exist where:
- (a) an entity has committed to remove environmental contaminants used in the past for building construction;
  - (b) the removal of these contaminants is not required under legislation but there is an established practice of performing such work; and
  - (c) the general public has a reasonable expectation that the entity will fulfil its commitment.

## **41 Liabilities Relating to Dividends**

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

### *GUIDANCE*

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- 41.71G** Enabling legislation normally set out procedures for dividends. Typically, the board or other governing body recommends a dividend to the Minister. The Minister has the authority to accept or reject a recommendation. A liability for the dividend is not recognised by the entity until the Minister has made a determination.
- 41.72G** In some cases, legislation or Government policy provides for a dividend to be paid of:
- (a) an amount or percentage of profit for the year; or
  - (b) profit less specified deductions.
- In such cases, there is no need for a determination and a liability for dividends arises at the reporting date when the amount is known.
- 41.73G** In accordance with [AASB 110 paras. 12 and 13](#), if an entity declares dividends to holders of equity instruments after the reporting date, no liability is recognised at reporting date. Rather, such dividends are disclosed in the notes to the financial statements in accordance with [AASB 101](#).
- 41.74G** Returns of capital are addressed in [Division 101](#).

## 42 Provisions

### *GUIDANCE*

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#### ***Provisions***

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

#### ***Decommissioning, Restoration and Similar Provisions ('Make Good')***

42.72G For guidance on accounting for decommissioning, restoration and similar provisions ('Make Good'), refer to [Accounting Guidance Note No. 2010/1 Accounting for Decommissioning, Restoration and Similar Provisions \('Make Good'\)](#).

#### ***Onerous Contracts***

42.73G [AASB 137 paras. 66-69](#) outline that if an entity has an onerous contract as defined in [AASB 137](#), the present obligation under the contract must be recognised and measured as a provision.

## **43 Employee Benefits**

### ***Employee Benefits Disclosures***

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

### ***Long Service Leave***

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

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

- (a) if an entity's employee profile is demonstrably not materially different from the Australian Government's standard profile, entities may use the shorthand method;**
- (b) undertake an actuarial assessment; or**
- (c) use a detailed calculation basis (e.g., employee by employee).**

### ***POLICY***

#### ***Annual and Long Service Leave Additional Costs***

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

$$\text{Additional costs} = [\text{total estimated liability}] * (X * Y)$$

Where:

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

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

Entities should consider that some additional costs only apply if the leave is taken in-service. To calculate the expected leave taken in-service entities must review historical employee data and/or use an established rate from similar entities.

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

### ***The Shorthand Method***

43.52P Entities applying the shorthand method under [section 43.2](#) or [43.3](#) must apply the method as outlined in the steps below.

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

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

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

43.55P Each employee's long service leave entitlement must be expressed as a dollar amount (including eligible prior service). As each employee's long service leave entitlement is expressed in calendar days an adjustment is required to remove the effect of weekends as applicable. Where the Human Resources Management Information System does not automatically perform this adjustment, it will need to be made manually.

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

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

$$A = B * C$$

Where:

A = nominal probability-weighted long service leave

B = nominal, unused long service leave balance (in dollars) from Step 1

C = probability weight from the Australian Government sector probability profile in the LSL – Table of Probability Factors (see [section 43.76G](#))

#### *Step 3: Calculate the present value of the (probability-weighted) long service leave liability*

43.57P For each employee, multiply the probability-weighted amount from Step 2 by the factor determined by reference to the LSL – Table of Discount Factors (see [section 43.76G](#)).

The table incorporates the bond rate (or discount rate under [AASB 119](#)) determined with reference to the ten year Treasury Bond

rate as at reporting date. The salary growth rate (SGR) is the entity's estimate of the average annual salary growth rate expected over ten years.

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

- (a) round the rate to the nearest amount; or
- (b) extrapolate between rates on the table.

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

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

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

***On-Costs***

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

***GUIDANCE***

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***Classification of Employee Liabilities***

43.71G [AASB 119](#) prescribes the accounting and disclosure for employee benefits.

***Sick Leave***

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

***Annual Leave and Long Service Leave Additional Costs***

43.73G Some additional costs only apply if the annual leave or long service leave is taken in-service. For those costs, the probability that the leave will be taken in-service rather than paid out is important 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 long service leave in-service, additional costs of 9% (60% multiplied by 15%) would be applied to the provision.

***The Shorthand Method: Australian Government Probability Profile***

43.74G The shorthand method, in this Division, was developed by the Australian Government Actuary in the mid-1990s and last reviewed in July 2010.

***Discount Rate***

43.75G In relation to [AASB 119 para. 78](#), for-profit Australian Government entities should use the market yields (at the end of the reporting period) on government bonds to discount employee benefits.

***Long Service Leave – Probabilities and Discount Factors Tables***

43.76G The LSL – Table of Probability Factors (referred to in [section 43.56P](#)) and the LSL – Table of Discount Factors (referred to in [section 43.57P](#)) will be published by the Accounting Policy Branch (APB) no later than July on an annual basis. The most recently determined standardised rate can be found at <http://www.finance.gov.au/financial-reporting-and-accounting-policy/standard-parameters.html>.

## 44 **Measurement and Disclosure of Post Employment Plans**

- 44.1 Entities acting as agents collecting contributions from employees for the [Public Sector Superannuation Scheme](#) (PSS), [Commonwealth Superannuation Scheme](#) (CSS) and military superannuation schemes (including the [Military Superannuation and Benefits Scheme](#) (MSBS)) must account for, and make the required disclosures in accordance with [AASB 119](#) as if they were contributing to defined contribution plans. In addition, the following must be disclosed:
- (a) that the entity is accounting for the scheme as a defined contribution plan;
  - (b) that at the whole-of-Government level the scheme is a defined benefit plan and is accounted for as such; and
  - (c) a reference to the financial statements in which the defined benefit disclosures have been or will be made.
- 44.2 Entities participating in the PSS and CSS Schemes must reference the administered disclosures made in Finance's financial statements for these schemes. Finance's financial statements do not need to be published for these references to be made.
- 44.3 PFCs and GBEs can apply any of the three recognition options for recognising actuarial gains and losses for defined benefit plans as outlined in [AASB 119](#). All other entities are to apply the direct to equity option.
- 44.4 For plans where the actuarial risk (shortfall risk) falls on the entity, the entity must account for them as defined benefit plans.
- 44.5 The market yield on Government bonds must be referenced when determining a discount rate for discounting, in compliance with [AASB 119](#).

### *GUIDANCE*

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#### *Superannuation Scheme Disclosures*

- 44.71G In accordance with [AASB 119](#), entities with defined benefit schemes must conduct a periodic review of the non-financial assumptions (e.g., mortality rates) and an annual review of the financial assumptions (e.g., wage growth and CPI).
- 44.72G The [PSS Accumulation Plan](#) is considered a defined contribution plan from the point of view of both the entity and the whole-of-Government.
- 44.73G The requirement to cross reference the annual financial statements of Finance (PSS and CSS) and the Department of Defence (Military

Schemes) provides additional information to the users of entities' financial statements.

- 44.74G [Section 90.1](#) provides the rationale for the treatment in [section 44.1](#). Entities participating in these schemes do not have any obligation to fund deficits and therefore account for the schemes as defined contribution plans.

## **45 Financial Instruments**

- 45.1** Where an active market exists for a financial asset, entities must classify the instrument as either at fair value through profit or loss, or available for sale, unless otherwise required under [AASB 139](#).
- 45.2** Where an active market exists for a financial liability, entities must classify the instrument as at fair value through profit or loss, unless otherwise required under [AASB 139](#).
- 45.3** For regular way purchase or sale, trade date accounting must be applied.
- 45.4** Where permitted, entities must 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. A separate account must be maintained for each class of financial asset.
- 45.5** Where [AASB 139](#) allows entities to choose between:
- (a) capitalising gains 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,
- entities must adopt [\(a\)](#) in all cases.
- 45.6** Where an entity has held derivative financial instruments that are not part of a qualifying hedging arrangement at any time during the period, it shall disclose:
- (a) the management's objectives for holding or issuing those derivatives;
  - (b) the context needed to understand those objectives; and
  - (c) the strategies for achieving those objectives.
- 45.7** Entities must disclose the nominal value of concessional loans as well as the unexpired discount.

## *POLICY*

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### ***Fair Value Through Profit or Loss***

45.51P The definition of FVPL in [AASB 139 para. 9](#) allows a financial asset or liability to be designated as at FVPL if it results in more relevant information in the specific circumstances outlined in the standard. If these circumstances apply, and it results in more relevant information, then such a classification is to be made.

### ***Market Risk Sensitivity Analysis***

45.52P Where sensitivity analysis is required to be completed, entities must use the standard rates referenced in [FinanceBrief 31 AASB 7 Financial Instruments: Disclosures Standardisation of market risk sensitivity analysis when disclosing market risk](#). Approval from Finance is required for entities to use different rates in their sensitivity analysis.

### ***Valuation Techniques***

45.53P Where a valuation technique is used, [AASB 7 para. 27](#) does not necessarily require quantitative information about the assumptions applied in determining fair value to be disclosed. As such, the information about assumptions can be qualitative only if appropriate.

## *GUIDANCE*

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### ***Applicable Accounting Standard***

45.71G The table below provides a summary of the types of financial instruments. This is an indicative list only and [AASB 139](#) should be consulted for further information, including scope restrictions and category restrictions for items. Categorisation also depends on the intention of the entity and past actions in some cases.

<i>Categories</i>	<i>Examples</i>
Financial asset or financial liability at fair value through profit or loss (FVPL)	<ul style="list-style-type: none"><li>• Speculative share portfolio</li><li>• Forward exchange contracts</li><li>• Interest rate swap</li><li>• Call options</li><li>• HECS Help Loans (because of embedded derivatives)</li></ul>

Held-to-maturity	<ul style="list-style-type: none"> <li>• Government bonds</li> <li>• Corporate bonds</li> <li>• Fixed term debentures</li> </ul> <p>Note: where there is an active market, these items must be treated as FVPL or available for sale unless unable to do so under AASB 139.</p>
Loans and receivables	<ul style="list-style-type: none"> <li>• Trade receivables (debtors)</li> <li>• Cash at bank</li> <li>• Loans receivable</li> <li>• Advances made</li> </ul>
Available for sale	<ul style="list-style-type: none"> <li>• Shares or equity held in other entities (not held for trading or accounted for as subsidiaries, associates or joint ventures)</li> <li>• Items not classified within another category</li> </ul>
Financial liabilities at amortised cost	<ul style="list-style-type: none"> <li>• Trade payables (creditors)</li> <li>• Loans payable</li> </ul>

### *Definitions and Measurement*

45.72G Common financial instruments are cash, receivables, supplier payables and loans. Entities should be aware that [AASB 7](#) requires disclosure about items not identified as financial instruments in [AASB 139](#), including:

- loan commitments accounted for under [AASB 137](#); and
- some contracts. An example is a contract to buy or sell a non-financial item that can be settled net in cash or for another financial instrument, or, where the non-financial item is readily convertible to cash such as gold in a contract to purchase gold ([AASB 5 para. 5](#)).

Note: Appropriations receivable and statutory charges (receivable or payable) are not financial instruments. Examples of statutory charges are GST receivable from or payable to the ATO. Notwithstanding this, amounts payable to, or receivable from, other entities should be disclosed inclusive of GST.

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

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

45.75G Financial guarantee contracts as defined in [AASB 139](#) do not include performance guarantees.

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

### ***Classification of Financial Instruments***

45.77G Care must be taken in correctly classifying a financial instrument. Reclassification of financial instruments is subject to the rules set out in [AASB 139](#), and is only possible in limited circumstances.

45.78G Entities may reclassify financial instruments as per [AASB 139](#), subject to [sections 45.1 and 45.2](#) of this schedule.

45.79G Classification (designation) of financial instruments for an entity has the effect of designating those instruments in the whole-of-Government consolidated financial statements.

45.80G Entities should establish a process to classify financial instruments as they are incurred. However, where a financial asset or liability is classified as a hedge item or designated at fair value through profit or loss, a more formal process to identify how the financial asset or liability meet the requirements of [AASB 139](#) should be undertaken.

### ***Derivatives and Hedging***

45.81G Entities' ability to enter into hedging or derivative arrangements is bound by their legislative framework and relevant Australian Government policies.

45.82G Hedging is the process of using one financial instrument (usually a derivative) to offset the risks inherent in another financial instrument, commitment, or anticipated transaction. [AASB 139](#) imposes detailed rules for hedging including which items can be used for hedging, which items can be hedged, and when hedge accounting treatments can be applied.

45.83G Information is required in accordance with [section 45.6](#) to ensure that all uses of derivatives are disclosed.

### ***Initial Measurement***

45.84G [AASB 139 Appendix A para. AG64](#) outlines that the fair value of a financial instrument is normally the transaction price except in some circumstances, such as a loan issued on favourable terms. In this case a valuation technique is employed to determine fair value. In accordance with the standard, a valuation technique must use prevailing market data for similar financial instruments issued in the market. Similar financial instruments have substantially the same terms in regard to denominated currency term, type of interest rate (fixed or floating) and other relevant factors.

45.85G Upon examination of available market data, if there isn't sufficient

data to determine a prevailing market interest rate (or acceptable interest rate range for financial instruments issued), then fair value is the transaction price, being the prevailing rate in the market. If a prevailing interest rate or range is determined, and the financial instrument is issued at a rate below this rate, a valuation technique will result in a value less than the transaction price with the difference likely to be recognised as an expense unless upfront compensation is received for the discount and then it increases the discount to comprehensive income using the effective interest rate.

#### ***Subsequent Measurement***

45.86G Refer to [AASB 139 paras. 45-47](#) for the subsequent measurement of financial assets and liabilities.

#### ***Fair Value Measurement***

45.87G [AASB 139 Appendix A para. AG69-AG82](#) provide guidance on the fair value measurement considerations for recognition and measurement of financial instruments.

#### ***Fair Value Disclosure***

45.88G [AASB 7 para. 27A](#) requires, for the purpose of disclosure under [AASB 7.27B](#), that entities classify fair value measurements of financial instruments by using the specified fair value hierarchy (i.e., level 1, 2 or 3). There has not been an equivalent policy in [AASB 139](#) and therefore, the implicit fair value hierarchy in [AASB 139](#) is different from the amendments made to [AASB 7](#) for disclosure purposes. According to the current standards, entities are to use [AASB 7](#) for disclosure purposes and [AASB 139](#) for recognition and measurement.

#### ***Public Money Held by Outsiders***

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

- (a) an outsider authorised under [section 12 of the FMA Act](#) to receive, hold or make payments of public money; or
- (b) an outsider deemed to be an allocated official when they are performing a financial task for an agency.

45.90G Public money paid by the Commonwealth to an outsider (including pre-payments), as payment for goods or services, ceases to be public money upon receipt by the outsider. For example, contract fees for the provision of payroll services are no longer public money when received by a payroll contractor.

45.91G A financial task, as defined in FMA Regulation 3 means a task or procedure relating to the commitment, spending, management or control of public money; and it does not include a task or procedure of that kind that is performed by an outsider, under an agreement or

arrangement authorised under subsection 12 (1) of the FMA Act.

- 45.92G A common example of an arrangement under [subsection 45.89G\(a\)](#) is an arrangement with a property services provider. Tasks undertaken by a property services provider under an authorised [section 12](#) agreement might include collecting public money in the form of rent and making payments of public money for building maintenance.
- 45.93G A common example of an arrangement under [subsection 45.89G\(b\)](#) is an arrangement with a salary sacrifice service provider. Tasks undertaken by a salary sacrifice service provider, as allocated officials, may include collecting and making payments of public money to provide benefits to employees in lieu of salary, on behalf of an employer.
- 45.94G Regardless of whether the outsider has been authorised under [section 12 of the FMA Act](#) or deemed to be an allocated official, any money held by the outsider, but not yet spent, is held on behalf of the Commonwealth and is public money. These amounts are not special public money, nor are they held in trust by the outsider. This money must be reported in the agency's balance sheet as cash held by the agency. Agencies should ensure that all relevant reporting requirements are met in regards to an outsider handling public money. For example, agencies should ensure that the relevant appropriation is credited and debited at the appropriate time that the outsider is collecting and making payments of public money.
- 45.95G Agencies should contact the FMA Section in Financial Framework Policy Branch at [finframework@finance.gov.au](mailto:finframework@finance.gov.au), for additional information regarding public money held by outsiders.

### ***Concessional Loans***

- 45.96G For guidance on accounting for concessional loans, refer to [Accounting Guidance Note No. 2010/2 Accounting for Concessional Loans](#).

### ***Impairment of Financial Instruments***

- 45.97G For information on impairment of available-for-sale equity financial instrument, refer to [Accounting Guidance Note No. 2009/1 Impairment of Available-for-Sale Equity Financial Instruments – Clarification of Paragraph 61 of AASB 139](#).

### ***Authority to use Derivatives***

- 45.98G [Section 45.6](#) does not provide any authority to use derivative financial instruments. [Section 39 of the FMA Act](#) and [Finance Circular 2006/06 Australian Government Foreign Exchange Risk Management Guidelines](#) restrict the use of derivatives by Australian Government entities. Statutory authorities are unable to invest in derivative financial instruments unless authorised under their respective legislative framework(s).

### ***Impairment of Financial Instruments***

45.99G [AASB 139](#) allows a choice of directly deducting impairment losses from the carrying amount of the asset or creating a separate allowance account ([AASB 139 para. 63](#)). For consistency across the Australian Government entities, and to facilitate Government Financial Statistics (GFS) data collection, [section 45.5](#) all impairment losses, where applicable, must be recorded against an allowance account styled impairment losses. This is effectively a contra account to the financial instrument (asset). The other side of the entry is to the impairment loss expense account.

## Part F OTHER FACE STATEMENTS AND SCHEDULES

### *OVERVIEW*

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Part F outlines the reporting requirements for:

- the statement of changes in equity;
- the cash flow statement;
- the schedule of administered items;
- the schedule of commitments;
- the schedule of contingencies schedules; and
- the schedule of asset additions.

## **50** *Statement of Changes in Equity*

### *GUIDANCE*

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50.71G A statement of changes in equity is not required for administered items (see [section 85.3](#)).

## **60 Cash Flow Statement**

- 60.1** Entities must present a cash flow statement using the direct method in compliance with [AASB 107](#).
- 60.2** Dividends paid are to be presented as a component of financing activities.
- 60.3** Administered cash flows to/from the OPA must be shown as adjustments to administered cash held by an agency, rather than as a cash flow related to operating or other activities.

### *GUIDANCE*

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#### *Cash Flow*

- 60.71G [Section 60.3](#) formalises in this schedule, existing requirements in Annexure A. For *FMA Act* entities this includes appropriations drawn down from the OPA for payment to *CAC Act* bodies.

#### *Transfers of Section 31 to the OPA*

- 60.72G Transfers of section 31 receipts to the OPA are disclosed as operating cash flows.
- 60.73G Due to timing differences, operating cash received for section 31 receipts may be greater than section 31 receipts transferred to the OPA. The difference is section 31 receipts where cash has been received, but not yet remitted to the OPA.

## **75 Schedule of Administered Items**

- 75.1** Agencies must prepare a schedule of administered items in compliance with [Division 85](#) of this schedule.

## 80 Contingencies

### *Schedule of Contingencies*

- 80.1** Contingent liabilities and assets that are able to be reliably measured must be classified in accordance with the classes in the schedule of contingencies in Annexure A; where applicable, new classes can be added.
- 80.2** Unquantifiable contingent liabilities and assets that are not included in the schedule of contingencies but may have an impact on the operations of the entity must be explained in a note to the financial statements.
- 80.3** Where there are no contingencies in either the current or the immediately preceding reporting periods, it is not necessary for an entity to include a schedule for such items. Instead, the fact that there are no such items should be disclosed in the notes to the financial statements.
- 80.4** Contingent liabilities and assets are not required to be disclosed where it is expected that disclosure would seriously prejudice the Commonwealth. In these rare cases, entities may apply [AASB 137 para. 92](#).

### *Contingent Liabilities*

- 80.5** Entities must disclose departmental contingent liabilities that can be reliably measured (quantifiable) in the schedule of contingencies, in accordance with Annexure A, except where the possibility of any outflow of resources embodying economic benefits is remote. Equivalent disclosure for administered contingent liabilities must be included in the schedule of administered items.
- 80.6** Significant remote contingent liabilities excluded from the schedule of contingencies (as per [section 80.5](#)) must be disclosed in the notes to the accounts in accordance with Annexure A.

### *Contingent Assets*

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

#### *POLICY*

- 80.51P The reference in [AASB 137 para. 92](#) to 'entity' must be read as the entity, another Australian Government entity or the Australian Government as a whole.

- 80.52P Contingent liabilities are a specific category of fiscal risks published in Budget Paper No. 1 as required by the [Charter of Budget Honesty Act 1998](#). Entities must review the Statement of Risks published in Budget Paper No. 1 and the draft schedule of contingencies for publishing in the financial statements to ensure that all relevant contingencies have been disclosed in the statements and in the schedule of contingencies to comply with [section 80.5](#) of this schedule, noting that disclosure requirements for the Statement of Risks may differ from those of [section 80.5](#).
- 80.53P If an entity has given a financial guarantee, it must include a statement beneath its schedule of contingencies saying that it has given a financial guarantee and that details are contained in the financial instruments note.
- 80.54P A contingent liability and a contingent asset are not to be netted off. The extent to which any contingent liability and asset are linked can be stated separately.

#### *GUIDANCE*

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- 80.71G [AASB 137 para. 2](#) excludes from its scope those financial instruments (e.g., financial guarantee contracts) that are covered by [AASB 139](#).
- 80.72G [AASB 139 para. 2\(e\)](#) includes financial guarantee contracts in its scope (as defined in [AASB 139 para. 9](#)).

## 81 Commitments

- 81.1** Entities must disclose the nature, and where quantifiable, the amount of each class of departmental commitment in the schedule of commitments in accordance with the tables in Annexure A. Equivalent disclosure for administered commitments must be included in the schedule of administered items by agencies (see [Division 85](#)).
- 81.2** Where there are no commitments in either the current or the immediately preceding reporting periods, it is not necessary to include a schedule for such items. Instead, the fact that there are no such items should be disclosed in the notes to the financial statements.
- 81.3** Commitments receivable must be disclosed where the inflow of resources is probable.
- 81.4** The amounts reported as commitments payable and commitments receivable must include GST where applicable. A corresponding commitment receivable or payable must be recorded for the net GST amounts recoverable from or payable to the ATO.

### *POLICY*

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#### *Leases*

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

### *GUIDANCE*

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#### *Commitments and Liabilities*

##### 81.71G Commitments:

- (a) are intentions to create liabilities or assets for the receiving entity, as evidenced by undertakings or agreements to

- make/obtain future payments to/from other entities; and
- (b) are executory contracts that are not recognised under AASB 137 (i.e., not onerous); but
  - (c) do not include future year appropriations.

81.72G Commitments may be capital, non-capital, payable or receivable. Payables and receivables should not be offset against each other.

81.73G Commitments differ from liabilities in that there is no present obligation arising from a past transaction or event or such an obligation is subject to future performance of another party, e.g., obligations that are executory contracts. Where a government entity intends to make payments to other parties, whether as a result of government policy statement, election promises or other public pronouncement, this does not of itself create a present obligation.

### ***Agreements***

81.74G An agreement or contract requires parties to make future sacrifices of economic benefits. However, until performance by the entity or the other party takes place no liability or asset is recognised. Instead, the future sacrifice is reported as a commitment.

81.75G An example of a relevant agreement is a contract for the construction of an asset. The reporting point for a commitment in this case is the entering into of the contract. A liability/asset would not be recognised until construction of the asset has commenced.

81.76G Without an agreement, there is no commitment. For example if an entity decided to acquire equipment in the future and received ministerial approval for spending, an agreement would not exist until contracts had been entered into and a commitment would not be recognised until that point.

### ***Undertakings***

81.77G Undertakings are unilateral promises that are intended to result in payments in future periods. For example, the Australian Government might approve the granting of financial assistance in certain situations. A liability does not exist until the claim for the assistance has been lodged. Until such time, the item is reported as a commitment. Unilateral promises are not reported as undertakings where further approval is required or legislation must be enacted to fulfil the undertaking.

### ***GST Receivable/Payable***

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

## **82 *Asset Additions***

- 82.1** Entities must disclose the amount of each class of non-financial non-current departmental asset additions in a schedule of asset additions in accordance with tables in Annexure A. Equivalent disclosure for each class of non-financial non-current administered asset additions must be included in the schedule of administered items by entities.
- 82.2** Where there are no asset additions in either the current or the immediately preceding reporting periods, it is not necessary for an entity to include a schedule of such items. Instead, the fact that there are no such items should be disclosed in the notes to the financial statements.

## Part G ADMINISTERED REPORTING

### *OVERVIEW*

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

### **85 Administered Reporting – General Information**

- 85.1** The financial statements of an entity that administers activities for the Australian Government must include a schedule of administered items and associated administered notes.
- 85.2** The schedule of administered items and associated administered notes must:
- (a) include administered items as defined in [Division 15](#);
  - (b) include disclosures in relation to accounting policies in accordance with the relevant AAS (e.g., [AASB 1050](#)) and all applicable requirements of this schedule;
  - (c) include an Administered Reconciliation Table in accordance with Annexure A;
  - (d) use background shading for the schedule of administered items and administered notes; and
  - (e) provide in the heading of, or as a footnote to, the schedule of administered items, a brief description of the activities being administered on behalf of the Australian Government.
- 85.3** A statement of changes in equity is not required for administered items.

### *POLICY*

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- 85.51P [AAS](#) and [AASB Interpretations](#) are to be applied to administered items as if the schedule of administered items were the financial statements of the Australian Government as a parent entity.

## *GUIDANCE*

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### ***General***

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

### ***Administered Reconciliation Table***

85.72G Lines 'Adjustment for change in accounting policies' and 'Adjustments for errors' of the Administered Reconciliation Table are only for use in the comparative year, not the current year of the financial statements.

85.73G Transfers to the OPA of administered amounts are to be recognised in line 'Transfers to OPA', not as administered expenses.

## **86 Income and Expenses Administered on Behalf of Government**

### *GUIDANCE*

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- 86.71G Subject to [sections 86.72G](#) to [86.75G](#) administered transactions between agencies are accounted for in the same manner as departmental transactions. For example, a purchase of services may be recognised as income in one agency and an expense in the other.
- 86.72G [Division 92](#) requires transfers of assets and liabilities resulting from a restructure of administrative arrangements to be recognised as direct adjustments to equity.
- 86.73G [Section 102.1](#) requires that administered appropriations are not reported as revenue in the schedule of administered items.
- 86.74G Transfers to the OPA are treated in accordance with [section 85.73G](#).
- 86.75G [Section 60.3](#) requires administered cash flows to/from the OPA to be shown as adjustments to administered cash held by an agency, rather than as cash flows related to operating or other activities.

## **87 Administered Investments**

- 87.1 Administered investments must be disclosed in the financial statements by all entities.**
- 87.2 Administered investments, other than those held for sale in accordance with [AASB 5](#), must be measured at fair value.**
- 87.3 Administered investments are not considered controlled by the entities reporting them.**
- 87.4 Administered investments must not be consolidated on a line by line basis into an entity's financial statements without approval from the Finance Chief Executive.**

### *POLICY*

- 87.51P [Division 87](#) only applies to administered investments where the Government's interest is in the nature of:
- (a) subsidiaries under [AASB 127](#);
  - (b) associates under [AASB 128](#); or
  - (c) jointly controlled operations and jointly controlled entities under [AASB 131](#);
- other investments (e.g., a one per cent shareholding in a listed company) are accounted for as financial assets under [Division 45](#) of this schedule.
- 87.52P The following hierarchy must be applied to determine the fair value of administered investments:
- (a) *Observable Market Value*  
The best evidence of fair value is the quoted price in an active market. An administered investment is regarded as having an active market when prices are readily quotable from a reliable source (i.e., securities exchange, licensed broker, industry group, etc.) and the prices represent the amount that would be exchanged in an ordinary arms length transaction. This approach is only relevant to for-profit public sector listed entities.
  - (b) *Valuation Techniques*  
Where there is no active market, the entity is required to determine the fair value of an administered investment using a valuation technique. The valuation technique must incorporate all factors that a market participant would consider in setting a price. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the

entity should use that technique.

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

### *GUIDANCE*

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

#### ***Valuation Techniques***

- 87.72G Among the techniques that may be used under [section 87.52P\(b\)](#) are:
- (a) Discounted Cash Flows – this method should be considered when an entity invests in another entity that generates significant non-government cash inflows and those cash flows can be reliably predicted; and
  - (b) Net Assets – this method should be considered when an entity invests in another entity that does not generate significant non-government cash inflows or those cash flows cannot be reliably predicted.

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

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

#### ***Fair Value Disclosure***

- 87.74G Refer to [section 45.88G](#) for further details.

## 88 Administered Investments Held for Sale

- 88.1 Where a decision has been made to transfer an administered investment to another entity for sale, but the transfer date is not specified, the asset is assumed to have been transferred on the date of the decision to sell the asset.
- 88.2 Transfers of administered investments held for sale must be transferred at net book value and accounted for in accordance with [Division 45](#) of this schedule.
- 88.3 The costs of sale of an administered investment are expensed as incurred, regardless of whether the investment meets the criteria to be held for sale in [AASB 5](#). Costs of sale are not added to the carrying amount of administered investments but the total selling cost must be disclosed in a note to the financial statements where the selling costs are expensed across a number of reporting periods.
- 88.4 The following particulars must be disclosed in the administered notes for each sale of an administered investment:
- (a) proceeds from sale;
  - (b) written down value of the asset sold;
  - (c) recognised gain or loss on sale;
  - (d) selling costs incurred; and
  - (e) the net gain or loss after deducting selling costs incurred.

### *POLICY*

#### *Definitions and Classifications Applicable to Entities*

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

### *GUIDANCE*

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

#### *Administered Investments Held for Sale – Measurement*

- 88.72G While administered investments that are held for sale are disclosed under [AASB 5](#), they are measured under [AASB 139](#) because they are

financial assets.

88.73G Immediately prior to being classified as held for sale, administered investments must be revalued in accordance with [AASB 139](#).

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

88.74G Costs to sell typically include:

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

88.75G Finance has responsibility for the sale of assets under AAO; this does not mean that Finance needs to own the asset being sold. For an asset to be transferred to Finance there needs to be a clear intention to transfer the asset supported by a formal:

- (a) decision of the Australian Government; or
- (b) Ministerial agreement.

Where there is no such formal agreement or decision, the asset will remain for sale with the Portfolio Department, even when the sale process is managed by Finance.

## 89 *Impairment of Administered Assets*

### *GUIDANCE*

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- 89.71G Agencies must apply the impairment provisions under [AASB 139](#) to administered investments as well as other administered financial instruments accounted for under [AASB 139](#).
- 89.72G Administered assets other than financial instruments should be assessed for impairment under the relevant AAS.
- 89.73G The relevant AAS for impairment assessment of receivables for statutory charges is [AASB 136](#) (see [section 31.1](#)).
- 89.74G [AASB 136](#) applies to administered assets that are not financial instruments. However, it is noted that estimates, averages and shortcuts may be applied under [AASB 136 para. 23](#) and this permits assessment on a portfolio basis where this is appropriate (e.g., impairment of a large portfolio of statutory receivables).

### *Generation of Cash Inflows*

- 89.75G The Australian Government as a whole is not considered a cash-generating operation. Therefore, the provisions of [AASB 136](#) in respect of cash-generating assets will apply to administered assets only where they are used to generate cash inflows primarily from outside the Australian Government economic entity.

## 90 *Liabilities Administered on Behalf of the Government*

- 90.1 **The Australian Government has a legal liability to meet the deficits of the PSS, CSS and military superannuation schemes, and as such liabilities related to these schemes are reported on behalf of the Australian Government in the administered financial statements of:**
- (a) **Finance (for PSS and CSS); or**
  - (b) **Department of Defence (for military superannuation schemes).**

## 91 *Transfer Payments*

### *GUIDANCE*

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- 91.71G [AASB 1050 para. 22](#) requires agencies to disclose the 'broad categories of recipients' of transfer payments and amounts transferred to those recipients. The form of the disclosure is included in Annexure A in the note disclosure for Expenses Administered on Behalf of Government. This includes, but is not limited to subsidies, personal benefits and grants.
- 91.72G 'Broad categories of recipients' is not defined in [AASB 1050](#). Agencies are required to determine the categories of recipients appropriate to their circumstances. Similar recipients or categories of recipients may be aggregated into broad categories for disclosure purposes.
- 91.73G Where an agency has the discretion to determine the amount or timing of a payment, the identity of beneficiaries or conditions under which the payments are to be made, judgement is necessary to establish whether or not the agency controls the payments.

## Part H RESTRUCTURES

### OVERVIEW

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

## 92 *Restructures of Administrative Arrangements*

- 92.1 Where a restructure of administrative arrangements has occurred during the reporting period, as per [AASB 1004](#), the financial statements of entities must include a note giving particulars of the restructure of administrative arrangements. Separate disclosure must be made for departmental and administered items. Entries need not physically have been processed by the date of transfer for an entity to make the required note disclosure as of that date.
- 92.2 Assets and liabilities transferred as a result of a restructure of administrative arrangements must be recognised at their net book value immediately prior to transfer.
- 92.3 For the purposes of this Division, the term ‘government department’ in [AASB 1004](#) means a Government controlled entity.
- 92.4 The meaning of ‘legislation or other authority’ in the definition of a restructure of administrative arrangements in [AASB 1004](#) is interpreted as meaning one of the following:
- (a) a decision of the Cabinet or Prime Minister;
  - (b) an AAO;
  - (c) an *Act* of Parliament or a Regulation under an *Act*; or
  - (d) a written agreement between the relevant portfolio minister(s) and the Finance Minister or the Prime Minister, as appropriate.

### GUIDANCE

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- 92.71G A restructure of administrative arrangements includes:
- (a) transfer of responsibility for delivery of goods and services including delivery of advice to the Australian Government;
  - (b) transfer of responsibility for managing assets and liabilities; or
  - (c) a reclassification between departmental and administered items

within an agency.

- 92.72G Restructures of administrative arrangements apply to government controlled not-for-profit entities and for-profit government departments, ([AASB 1004 para. 54-59](#)). [Section 92.3](#) means that [AASB 1004 para. 54-59](#) apply to all Government controlled entities.
- 92.73G A restructure of administrative arrangements does not necessarily mean that a function is physically being relocated.
- 92.74G Entities must comply with the reporting requirements in [section 51 of the FMA Act](#) on change of functions.
- 92.75G Transfers of cash representing prior years' unspent appropriations should be accounted for against equity in the same way as other assets transferred as part of the restructure of administrative arrangements. However, entities should note that [FMA Act section 32](#) determinations will need to be in place to enable the receiving entity to access and spend these appropriations. Entities should contact Cash Management Branch in Financial Reporting and Cash Management Division in Finance for further information.

# Part I APPROPRIATIONS

## *OVERVIEW*

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

Part I comprises:

- Division 100 Recognition of Appropriations – General Information outlines when and how appropriations are to be recognised and how appropriation balances are to be rounded as well as providing information on classification of appropriations, including the types of appropriations and how these are defined.
- Division 101 Recognition of Appropriations – Departmental specifically prescribes and provides guidance on the recognition and measurement of departmental appropriations. Departmental equity returns and adjustments are also addressed in this division.
- Division 102 Recognition of Appropriations – Administered specifically prescribes and provides guidance on the recognition and measurement of administered appropriations.
- Division 103 Recognition of Appropriations – CAC Act entities outlines the recognition and reporting requirements for CAC Act entities in relation to appropriations.
- Division 104 Disclosure of Appropriations – outlines the general disclosure requirements for appropriations and the specific disclosure requirements for the appropriation tables.

## **100 Recognition of Appropriations – General Information**

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

### *POLICY*

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#### ***Entities Other Than Agencies***

100.51P Generally, only an agency can receive appropriations and spend money from the CRF. If, under exceptional circumstances, an entity

other than an agency receives an appropriation or makes a payment out of the CRF then it must report and disclose under Part I accordingly.

#### ***Definitions and Classifications Applicable to Agencies***

- 100.52P Departmental appropriations – referred to as ‘*Departmental Item*’ in *Act 1*).
- 100.53P Departmental non-operating appropriations – referred to as ‘*Other Departmental Item*’ in *Act 2*).
- 100.54P Special appropriations – defined in [Division 4](#).
- 100.55P Administered appropriations – the amount set out in the Schedules of the annual *Appropriation Acts* for an agency by outcome as:
- (a) Administered (administered item) in *Act 1*;
  - (b) New Administered Outcomes (administered item) in *Act 2*; or
  - (c) Payments to States, ACT, NT and local government (States, ACT, NT and local government item), known as Specific Purpose Payments (SPPs).
- 100.56P Appropriations for payment to *CAC Act* bodies – the amount set out in the Schedules of the annual *Appropriation Acts* as *CAC Act* body payment items in *Acts 1 and 2*.
- 100.57P Administered non-operating appropriations – an amount set out in the Schedule of *Act 2* for an agency as Administered Assets and Liabilities (referred to as an administered assets and liabilities item).

#### ***Recognition by Responsible Agency***

- 100.58P The recognition of appropriations for accounting purposes may not be the same as for legal purposes. Recognition for accounting purposes is by the responsible agency for the appropriation, being the agency named in the relevant legislation or if not named, the portfolio department, unless determined otherwise by the relevant Ministers.
- 100.59P An amount appropriated to an agency for payment to an authority (either through annual or special appropriations) is an administered appropriation to the agency and is recognised accordingly. For annual appropriations these payments are known as a *CAC Act* body payment items.

#### ***Recognition and Management of Appropriations***

- 100.60P Appropriation-related material includes:
- (a) appropriations under an *Annual Appropriation Act* and all other appropriations;
  - (b) appropriations and adjustments under sections [20](#), [21](#), [28](#), [30](#), [30A](#), [31](#), [32](#) and [39 of the FMA Act](#);
  - (c) other adjustments to appropriations as determined (e.g., by Cabinet or the Finance Minister) or provided (e.g., the reduction

- of administered appropriations) under the *Appropriation Acts*;
- (d) special appropriations – limited in amount, formula and/or time and/or determined by a Minister; and
  - (e) unlimited special appropriations.

#### ***Adjustments to Appropriations***

100.61P The following sections of the *FMA Act* are adjustments to appropriation receivable, and must neither be recognised as appropriation revenue:

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

#### ***Transfer of Agency Functions (FMA Act section 32)***

100.62P The amounts recorded as an adjustment of appropriation receivable and appropriation revenue on change of agency function ([FMA Act section 32](#) transfers), would be the current year appropriation amounts in the signed [FMA Act section 32](#) determinations.

100.63P In relation to [FMA Act section 32](#) transfers, control of appropriation is lost or gained at the later of:

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

## ***GUIDANCE***

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### ***FMA & CAC Entities - Appropriations***

#### ***Appropriations Legislation***

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

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

100.72G The reporting of appropriations under this schedule assists in assessing compliance with [section 83 of the Constitution](#):

*'No money shall be drawn from the Treasury of the Commonwealth except*

*under appropriation made by law.'*

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

### ***Return of Capital***

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

### ***Recognition and Classification of Appropriations***

100.74G The authoritative source for information about the classification and amount of annual appropriations for the period are the relevant annual *Appropriation Acts*. Portfolio Budget Statements cannot override the appropriation legislation, although they can provide further information or evidence.

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

- (a) AAO;
- (b) [section 32 of the FMA Act](#);
- (c) [Division 92](#) of this schedule;
- (d) [Finance Circular 2007/03 Section 32 of the FMA Act - Transfer of Agency Functions](#);
- (e) [FinanceBrief 6 Adjustment of Appropriations on Change of Agency Functions](#); and
- (f) [Implementing Machinery of Government Changes: A Good Practice Guide \(Australian Public Service Commission\)](#).

### ***Special Appropriations – Limited and Unlimited***

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

100.77G If the responsible agency or office bearer is not stated in the legislation, the AAO allocates responsibility for the administration of legislation to Ministers of State and allocates matters to be dealt with to Departments of State.

100.78G When reporting special appropriations, each Department of State must ensure that all special appropriations for which its Minister is responsible are recognised and disclosed appropriately.

100.79G For further information on the allocation of responsibility for special appropriations refer to [Finance Circular 2005/13 Allocation of responsibilities for special appropriations](#).

### ***Repayments to the Commonwealth (Section 30)***

100.80G Under [subsection 32A\(2\) of the FMA Act](#), the increase in appropriation receivable takes effect at the time an entry recording the repayment concerned is made in the accounts and records of the agency.

#### ***Goods and Services Tax (Section 30A)***

100.81G [FMA Act section 30A](#) automatically increases appropriation receivable at the time payments to suppliers are made for the amount of recoverable GST.

100.82G The [FMA Act section 30A](#) amount is not necessarily equal to the GST refund received from the ATO. A refund of GST from the ATO generally consists of two notional transactions:

- (a) recoverable GST (input tax credits) receivable from the ATO; less
- (b) GST collected from customers, which is payable to the ATO.

In comparison, the amount by which appropriation receivable is increased under [FMA Act section 30A](#) for recoverable GST only consists of the input tax credits in (a).

100.83G For further information on the return of [section 30A](#) to the OPA in relation to administered appropriations, refer to EM 2009/33 *Cash Management Arrangements: Management of GST on Administered Appropriations in ACM*.

#### ***Relevant Agency Receipts (Section 31)***

100.84G [FMA Act section 31](#) allows for departmental appropriation receivable (not appropriation revenue) to be increased by an amount received by an agency if that amount is of a kind prescribed by the regulations (see [FMA Regulation 15](#)).

100.85G Amounts in relation to insurance receipts can be added to departmental items under [FMA Regulation 15](#). However, administered insurance receipts must be returned to the OPA as they are not prescribed amounts under the Regulations. Refer to [section 120.74G](#) for treatment of Comcare receipts.

100.86G Under subsection [32A\(4\) of the FMA Act](#), the increase in appropriation receivable takes effect at the time the relevant agency receipt ([section 31 of the FMA Act](#)) is recorded in the accounts and records of the agency.

100.87G Refer to [Finance Circular No. 2008/07 Relevant Agency Receipts – FMA Regulations 15 and 16](#) for further guidance.

#### ***Appropriations - Control and Quarantining***

100.88G Quarantining an appropriation does not result in loss of control.

## **101 Recognition of Appropriations – Departmental**

### **Timing - General**

**101.1** An agency must recognise all departmental appropriations and departmental non-operating appropriation for which it is the responsible agency. The earliest point of recognition for these appropriations is when the agency gains control of the appropriation for accounting purposes, as follows, for:

- (a) loans specified in the *Appropriation Acts*, when drawn down from the OPA for the amount to be received;
- (b) departmental special appropriations (except for special accounts), when the obligation for which the special appropriation exists is incurred up to the amount of the obligation;
- (c) special accounts, as per revenue recognition principles in [section 120.10](#);
- (d) AFM (for Parliamentary Departments, the responsible Presiding Officer) specified in the *Appropriation Acts*, the date of the determination;
- (e) departmental supplementation, the date of the approval; and
- (f) other departmental appropriations and departmental non-operating appropriations specified in the *Appropriation Acts*, at the later of:
  - (i) date of Royal Assent of the *Appropriation Act*; and
  - (ii) the commencement of the financial period the appropriation relates to (i.e., when the appropriation is effective).

### **Equity Returns and Adjustments**

**101.2** Departmental equity returns must be recognised as a return of capital by adjusting contributed equity and not as a reduction in, or refund of, revenue. Departmental equity returns:

- (a) occur where an agency:
  - (i) relinquishes control of funds which had been appropriation revenue in a previous financial reporting period; or
  - (ii) makes a non-reciprocal payment to the OPA other than as a dividend referred to in [Division 41](#); and
- (b) are recognised in the financial statements of the agency at the earliest of:
  - (i) the date the appropriation amount is reduced as a consequence of Government policy;
  - (ii) the date of effect of a Ministerial direction;

- (iii) the date of the determination reducing a departmental appropriation in accordance with annual *Appropriation Acts*; and
- (iv) where (a) to (c) above are not applicable, the date of the payment.

### ***Measurement***

**101.3** Departmental appropriations and departmental non-operating appropriations must be recognised at the amounts specified in the *Appropriation Acts* in the year of appropriation, adjusted, where applicable, in accordance with [section 101.4](#). They are recognised as follows:

- (a) for departmental appropriations:
  - (i) amounts designated as contribution by owners must be recognised as equity; and
  - (ii) all other amounts must be recognised as revenue; and
- (b) for departmental non-operating appropriations:
  - (i) equity injections must be recognised in full as a contribution by owners;
  - (ii) loan appropriations must be recognised as increases in borrowings – they are not revenue; and
  - (iii) departmental supplementations must be recognised for the amount approved, so long as the transaction is appropriately evidenced (include at a minimum, written Ministerial agreement). Amounts designated as contribution by owners must be recognised as equity and all other amounts must be recognised as appropriation revenue. Appropriation in subsequent years will be recognised to the extent that it has not been previously recognised.

### ***Formal Additions or Reductions***

**101.4** Formal additions or reductions necessitate adjustments to recognition and/or disclosure of appropriations to the extent they have not already resulted in adjustments in previous years. 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 [section 32 of the FMA Act](#);
- (b) departmental supplementations;
- (c) adjustments as stipulated by any agreement that provides for additional revenue for over-delivery or a reduction of revenue for under-delivery (such as purchasing, workload or other

agreements) as well as funding arrangements that are specifically designed to not financially advantage or disadvantage an entity (appropriation on a no-win/no-loss basis). 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) other amounts determined by the Finance Minister (or delegate) or an agency's Minister or Presiding Officer under Part 3 of the *Appropriation Acts*; and/or
- (e) all other adjustments made as a consequence of a decision of the Cabinet or the Prime Minister.

## *POLICY*

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### *Transfers to the OPA*

101.51P When an agency transfers cash, for which it has a valid appropriation, to the OPA, but does not relinquish the right to redraw those amounts, the agency must account for this by increasing appropriation receivable.

### *Non-reciprocal Transactions*

101.52P Departmental appropriations and departmental non-operating appropriations (with the exception of loans) are non-reciprocal transactions for recognition purposes.

## *GUIDANCE*

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### *FMA Agencies – Departmental Appropriations*

101.71G Departmental appropriations are controlled by the agency. The agency's chief executive officer(s) can use these appropriations in the manner they consider appropriate to best achieve the objectives of the agency, within the purpose for which that amount was appropriated.

### *Equity Injections and Returns*

101.72G Departmental equity injections or returns can include restructuring of administrative arrangement agreements resulting from a transfer of function (refer to [Division 92](#) of this schedule) and determinations of reductions (for previous years) in accordance with the *Appropriation Acts*.

### *CRF and OPA*

101.73G Transferring money from the OPA to an agency's bank account does not affect the appropriation balance. The CRF includes the OPA and agencies' bank accounts. Authorities' bank accounts are outside the CRF. Spending from the CRF (i.e., the agency's official bank account) reduces the balance of an appropriation available to be spent.

#### ***Appropriations – Adjustments***

101.74G Although not intended to be an exhaustive list, agreements that might require adjustments to appropriation include:

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

#### ***No-win/No-loss Funding***

101.75G For appropriations provided on a no-win/no-loss basis, the amount of additional funding to be recovered or the amount to be refunded is recognised in the primary financial statements in the current year. This amount depends on the particular rules of the no-win/no-loss arrangement and may not be equivalent to the amount over or under spent.

101.76G In the subsequent year, when approved by the Finance Minister, the reduction is recognised in the 'appropriations reduced' column of the appropriation note.

101.77G Foreign exchange gains or losses are an example of funding being provided on a no-win/no-loss basis.

#### ***Formal Additions or Reductions***

101.78G [Section 101.4](#) determines when formal additions or reductions are recognised in the statement of comprehensive income. This may differ from the financial year in which they are disclosed in the appropriations note. For instance, agencies can adjust appropriation revenue if there is a decision by the Cabinet or Prime Minister, but the adjustment is not disclosed in the appropriations note until the appropriation is legally adjusted.

101.79G Individual agencies seeking appropriation recognition adjustments under [section 101.4](#) are responsible for ensuring that relevant documentation and their agency's financial records fully support any adjustments to appropriation reported. [Section 101.4](#) refers to agreements, decisions and policies.

#### ***Permanent Reductions of Appropriations***

101.80G The unspent balances of departmental appropriations and non-operating appropriations to agencies remain available across financial years, unless the Finance Minister withdraws drawing rights, or

following a request from the responsible Minister, the Prime Minister, a Minister acting on behalf of the Prime Minister, or where the Finance Minister is the responsible Minister – the Chief Executive of the Agency, the the the appropriation is reduced. The reduction in the appropriation is effected by the Finance Minister’s determination and is disallowable by Parliament.

101.81G Amounts issued from the OPA in excess of the reduced appropriation amount must be returned to the OPA. Any un-issued or unspent funds within the reduced amount of the appropriation remain available to make payments in future years for those entities.

***Departmental Supplementation***

101.82G From the 2010-11 Budget onwards, amounts previously appropriated as a previous year’s outputs (PYOs) item are included in departmental appropriations proposed in Bills for ordinary annual services (e.g., Appropriation Bill 1). These amounts will be termed “departmental supplementation” but will not be shown separately in the Bills. Although, the accounting treatment remains the same (as 2009-10), the disclosure in the appropriation note will be different. From 2010-11 reporting period, it will be shown as part of the ‘Annual Appropriation’ column.

101.83G For more information on departmental supplementation refer to EM 2010/18 – Changes to the Appropriation Framework.

***Departmental Capital Budgets***

101.84G Departmental capital budgets should be accounted for as contributions by owners as owners (i.e. equity).

## **102 Recognition of Appropriations – Administered**

- 102.1** An agency must recognise all administered appropriations for which it is the responsible agency, as outlined below, in the administered reconciliation table (see [section 85.2\(c\)](#)). Administered appropriations are not to be recognised as revenue in the schedule of administered items.
- 102.2** The earliest point of recognition for an administered appropriation by an agency for accounting purposes is as follows, for:
- (a)** Administered appropriations, administered non-operating appropriations and administered special appropriations, when they are drawn down to an agency’s bank account for payment against the appropriation; and
  - (b)** other amounts determined by the Finance Minister (or delegate) or an agency Minister or Presiding Officer under Part 3 Adjusting appropriation items of the *Appropriation Acts*, the date stated in the determination, or if there is none stated, then the date of the determination.
- 102.3** Agencies must ensure that they have a valid appropriation for all amounts drawn from the OPA for refunds (including repayments) required or permitted by law. These refunds, which include repayments made under [section 28 of the FMA Act](#), must be recognised and/or disclosed under their valid appropriation, and as required by [Division 104](#).

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### *POLICY*

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#### ***Annual and Special Appropriations to CAC Act Bodies***

- 102.51P An amount appropriated to an agency for payment to an authority, either through annual or special appropriations, is an administered appropriation to the agency and is recognised accordingly. Authorities do not receive appropriations directly.
- 102.52P Payments in the nature of an equity injection are an increase to the carrying amount of the investment or loans, and are recorded as receivables. With the exception of amounts that are in the nature of an equity injection or loans, these payments are expenses.
- 102.53P *CAC Act* body payment items only include those amounts appropriated to the Portfolio Departments for payment to *CAC Act* bodies in the annual *Appropriation Acts*. They do not include amounts paid to *CAC Act* bodies under other arrangements (e.g., contractual arrangements or special appropriations).

#### ***Loan Appropriations***

- 102.54P Loan appropriations to *CAC Act* bodies from 2008-09 onwards must

be accounted for as loans receivable by the relevant Portfolio Department. Interest repayments must be recorded as revenue in the Portfolio Department's accounts, regardless of whether the interest is paid directly to the OPA or through the Portfolio Department.

102.55P For more information on loan arrangements, see EM 2009/37 – *Accounting Treatment of Loan Arrangements*.

#### ***Administered Receipts***

102.56P Administered receipts must be deposited in the OPA as they are not classified as Relevant Agency Receipts for the purposes of [FMA Regulation 15](#).

### ***GUIDANCE***

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#### ***FMA Act Agencies – Administered Appropriations***

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

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

102.73G For further guidance on payments to *CAC Act* bodies, refer to [Finance Circular No. 2008/09 Appropriations for Payment to CAC Act Bodies](#).

#### ***Appropriations – Indigenous Employment Special Account***

102.74G For further guidance on administered amounts appropriated to agencies from the Indigenous Employment Special Account, refer to [Finance Brief 33](#).

#### ***Reducing Administered Appropriations***

102.75G For more information on reduction in administered appropriation, see EM 2010/26 – *Budget Advice: Reduction of 2009-2010 Annual Administered Operating Appropriations*.

## 103 Recognition of Appropriations – CAC Entities

### *POLICY*

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

### *GUIDANCE*

#### ***CAC Entities – Appropriations***

- 103.71G For some authorities, the Parliament appropriates amounts for payment through annual and special appropriations. Because an authority cannot have drawing rights from the CRF (unless an FMA official is working inside the authority), the amount is drawn down by an *FMA Act* agency and paid to the authority.
- 103.72G Except in cases where authorities handle public money, transferring cash from the OPA to an authority's bank account takes that money out of the CRF and reduces the available appropriation balance. By the time the money reaches the authority, it is not an appropriation in its hands. Authorities must not disclose these amounts as appropriations. They are disclosed as administered appropriations in the relevant agency. Authorities must disclose these amounts in accordance with the nature of the payment. For example, as revenue, contributed equity, or loans.
- 103.73G *CAC Act* bodies should ensure that they have the authority to borrow money before entering into a loan arrangement. For more information on loan arrangements refer to EM 2009/37 (*Revised*) – *Accounting Treatment of Loan Arrangements*.

## **104 Disclosure of Appropriations**

### ***Disclosure - General***

**104.1** Agencies must report the information contained in tables below, in accordance with Annexure A:

- (a) **Table A *Annual Appropriations***;
- (b) **Table B *Unspent Departmental Annual Appropriations***;
- (c) **Table C *Special Appropriations***;
- (d) **Table D *Disclosure by Agent in Relation to Annual and Special Appropriations***; and
- (e) **Table E *Reduction in Administered Items***.

**104.2** Agencies must disclose the relevant details of its special appropriations in the following elements of its financial statements (in addition to the requirements under [section 104.1](#)):

- (a) **for departmental special appropriations:**
  - (i) **departmental revenue and expenses as part of the statement of comprehensive income;**
  - (ii) **departmental assets and liabilities as part of the balance sheet; and**
  - (iii) **departmental cash flows as part of the cash flow statement; and**
- (b) **for administered special appropriations:**
  - (i) **administered expenses as part of the schedule of administered items;**
  - (ii) **administered assets and liabilities as part of the schedule of administered items;**
  - (iii) **administered cash flows as part of the schedule of administered items; and**
  - (iv) **administered reconciliation table in accordance with [section 85.2\(c\)](#).**

### ***Table A Annual Appropriations***

**104.3** The amounts shown in 'Annual Appropriation' column of Table A must be the same as the amounts set out in those *Acts*.

### ***Table B Unspent Departmental Annual Appropriations***

**104.4** Agencies must disclose the following in Table B:

- (a) **unspent departmental annual appropriation by *Appropriation Act* (including both current and prior year *Appropriation Acts*); and**
- (b) **total unspent departmental appropriation.**

### **Table C Special Appropriations**

**104.5** Agencies must disclose each *Special Appropriation Act* current as at the reporting date separately in Table C.

#### **Investment of Funds**

**104.6** Each agency must recognise and/or disclose all public money invested in authorised investments under [section 39 of the FMA Act](#) or surplus funds under [section 18](#) and [section 19 of the CAC Act](#) in Table C (appropriately modified) in [Division 104](#). All money invested under a special account must also be disclosed in accordance with [Division 120](#) of this schedule.

**104.7** Where investments are made under an *Act* of Parliament other than [section 39 of the FMA Act](#), the same format as Table C in [Division 104](#) should be followed. The name of the relevant *Act* and section under which the investment is made must be noted. The title of the table may be amended, e.g., for authorities.

#### **Drawing Rights**

**104.8** Where an agency ('the spending agency') has paid money out of the CRF on behalf of another agency ('the responsible agency'):

- (a) the responsible agency must:
  - (i) disclose the name of the spending agency;
  - (ii) apply the reporting requirements outlined in this division (namely, disclosing the transactions in its face statements and appropriations note); and
  - (iii) ensure that systems and processes are in place to enable appropriate reporting of the appropriation; and
- (b) the spending agency must disclose:
  - (i) the name of each responsible agency and details of the transactions in Table D; and
  - (ii) the relationship between itself and each responsible agency as a footnote to Table D.

#### *POLICY*

##### **General**

104.51P From 2010-11, entities must prepare Tables A to E of the appropriations note on a 'recoverable GST exclusive' basis.

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

104.53P Where relevant agency receipts are returned to the OPA, and subsequently redrawn, they are to be disclosed as a separate operating

cash outflow and inflow, respectively.

***Table A Annual Appropriations***

*Preparation Basis*

104.54P Table A must be prepared on a cash basis.

*2010-11 Changes to Table A*

104.55P Table A must only include adjustments that relate to current year appropriations as follows:

- (a) appropriations reduced – reductions under the *Appropriation Acts* that adjust current year appropriations;
- (b) AFM – appropriated in the current reporting period;
- (c) section 30 – repayments for which the associated payment was made from current year appropriation;
- (d) section 31 – receipts that have been recorded in the accounts and records of the agency by the end of the reporting period; and
- (e) section 32 – only current year appropriation increased and/or decreased by section 32 determinations.

104.56P The column “Appropriation applied in 20XX (current and prior years)” must include all cash payments (‘recoverable GST exclusive’) plus appropriations credited to special accounts for the reporting period. This includes both current and prior year appropriations.

104.57P The “Variance” column is calculated as the “Total appropriation” column less the “Appropriation applied in 20XX (current and prior years)” column.

104.58P The following information must be disclosed as notes to Table A:

- (a) a list of the *Appropriation Acts*, as well as the relevant sections under which appropriations in Table A were reduced in the reporting period and for departmental appropriations only, the date of effect, amount reduced and relevant *Appropriation Act* for any determinations by the Finance Minister;
- (b) a list of the *Appropriation Acts*, as well as the relevant sections for AFMs in the reporting period;
- (c) adjustments that meet the criteria of a formal adjustment to appropriation revenue in [section 101.4](#), but at law the appropriation has not been amended at the end of the reporting period; and
- (d) where there are material variances between the appropriation applied for the reporting period and the amount appropriated, or otherwise authorised, agencies must provide an explanation of those variances.

104.59P From 2010-11, the “Total reduction in administered items” for the

reporting period in Table E must also be disclosed in the column “Appropriations reduced” in Table A in the same reporting period. Previously the reduction was disclosed in Table A in the subsequent reporting period.

*CAC Act Body Payment Items*

104.60P *CAC Act* body payment items must be included in Table A by the relevant agency both in terms of administered appropriations received and applied during the year. For more information on *CAC Act* body payments refer to policy in [Division 102](#).

***Table B Unspent Departmental Annual Appropriations***

104.61P Unspent balances must reflect adjustments to appropriation under the *Appropriation Acts* or *FMA Act*, where applicable.

***Table C Special Appropriations***

*2010-11 Changes to Table C*

104.62P For the purposes of Table C, agencies must disclose the following for each special appropriation if applicable:

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

*Drawing Rights*

104.63P For cross-referencing purposes, where an agency makes disclosures under Table C and at least one other agency has drawn from the same special appropriation, the agency making the disclosures must name those other entities by making the following statement:

“[Other agency/agencies] also drew from [special appropriation

provision(s)]”

***Table D Disclosures by Agent in Relation to Annual and Special Appropriations***

104.64P For the purposes of Table D, agencies must disclose the following for each responsible agency:

- (a) total receipts; and
- (b) total payments.

104.65P Total receipts and total payments include departmental and administered items, as well as annual and special appropriations.

***Table E Reduction in Administered Items***

*General*

104.66P Amounts in Table E must be presented to the cent.

104.67P Agencies may choose not to publish an item in Table E if no reduction is required. However, if a reduction is required for an item, the agency must disclose the amount required for that item against the relevant *Annual Appropriation Act*.

*Adjustment of Administered Appropriations by Finance Minister*

104.68P Where the required amount published in an agency’s annual report is adjusted by the Finance Minister (or the required amount was not published, but was subsequently specified by the Finance Minister), the agency must disclose the following:

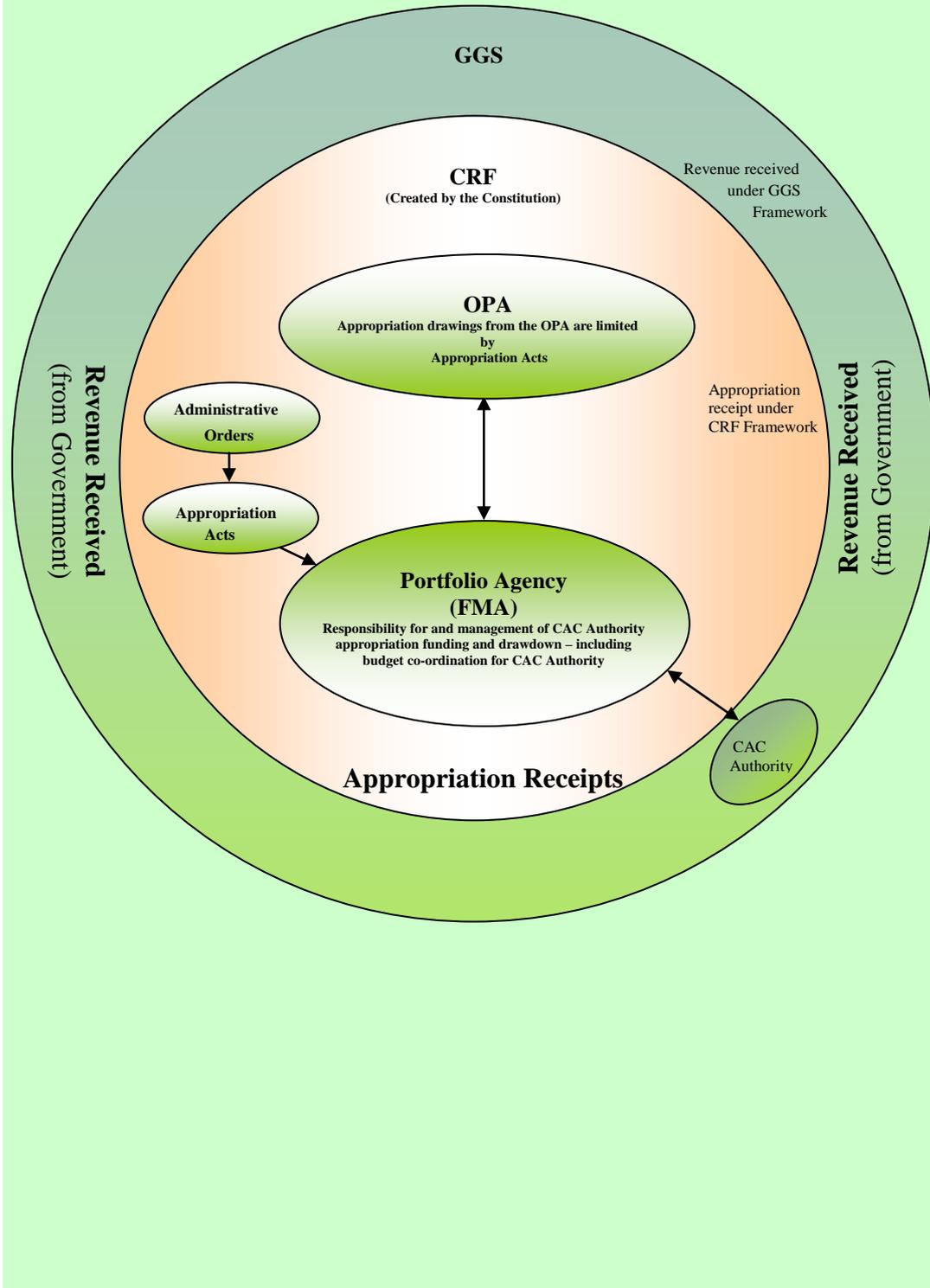
- (a) for the purposes of column “Appropriations reduced” in Table A – include the reduction as adjusted or subsequently specified by the Finance Minister, and also disclose the adjustment by way of footnote to Table A; and
- (b) for the purposes of Table E – a footnote detailing that the required amount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

*Changes in Outcomes Between Financial Years*

104.69P From 2010-11, where an agency’s outcome structure changes between financial years, it must prepare Table E as follows:

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

### Appropriation Drawdown Model (Disclosure Clarification)



### ***Table A Annual Appropriations***

104.71G From 2010-11, Table A has replaced the former Tables A1 and B1. In addition, Table A only includes adjustments to current year appropriations. Adjustments to prior year appropriations are reflected in the balances disclosed in Table B.

From 2010-11, all annual appropriations for the reporting period may be disclosed in a single column “Annual appropriations” and there is no requirement to separately disclose items by outcome (where applicable) in Table A.

#### *Formal Additions or Reductions under [section 101.4](#)*

104.72G Table A only presents legally available appropriations. Until such a time as funds are appropriated from Parliament, they are not legally available (appropriations). For example, appropriations for additional outputs that are subject to formal approval by Parliament, as per [section 101.4](#), must not be recognised in Table A.

104.73G Where an adjustment meets the recognition criteria of a formal addition or reduction in revenue, in accordance with [section 101.4](#), 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. An example would be where an agency under-delivers and subsequently has its revenue reduced (see [section 101.4\(d\)](#)) however the appropriation is not amended prior to the end of the reporting period.

#### *Explanation of material variances and reductions – notes to Table A*

104.74G For the purposes of [section 104.58P\(d\)](#), the following principles apply for departmental and administered appropriations:

- (a) payments not authorised by appropriation are always “material in nature”, so agencies must provide an explanation of these irrespective of the amount;
- (b) if the appropriation applied is greater than/less than the amount appropriated by a material amount (for individual line items in Table A), agencies must provide an explanation of the variance; and
- (c) if the appropriation applied is greater than/less than the amount appropriated by an immaterial amount, no explanation is required (except where these amounts are not authorised by appropriation).

104.75G Where an agency has a material administered reduction under section 11 of *Appropriation Act 1* or section 12 of *Appropriation Act 2*, the agency must provide an explanation of the reduction.

***Table B Unspent Departmental Annual Appropriations***

104.76G As a new requirement for 2010-11, agencies are required to disclose departmental unspent appropriation by *Appropriation Act* in Table B.

***Table C Special Appropriations***

104.77G From 2010-11, the former Tables C – F have been replaced by Table C. The information in Table C is more summarised than disclosures required in previous years.

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

104.79G For special appropriations with the type refund, "Appropriation applied" will be the total refunds made under [FMA Act section 28](#) (and other legislation where the refunds are similar in nature) by the agency during the year.

***Table D Disclosure by Agent in Relation to Annual and Special Appropriations***

104.80G From 2010-11, agencies acting as an agent are required to disclose the total receipts and total payments for each responsible agency in Table D, irrespective of whether they relate to departmental or administered transactions, or annual or special appropriations. This represents a simplification of disclosures required prior to 2010-11.

***Table E Reduction in Administered Items***

104.81G From 2010-11, the information formerly disclosed in Tables A2 and B2 is to be reported in Table E.

***Parliamentary Departments and Emergency Acts***

104.82G Where applicable, disclosures required in this Division also apply to *Parliamentary Department Appropriation Acts* as well as *Emergency Acts* (such as those for the Northern Territory intervention). Section numbers may be different in different *Appropriation Acts* and should be amended accordingly.

***Not Acting as an Agent***

104.83G Where an agency receives an amount from another agency and retains it by increasing their appropriation, then pays this amount on to a third party, it is not acting as an agent per [section 104.8](#). Acting as an agent only occurs when the agency uses drawing rights to directly access the appropriation of another agency.

For example, if Agency B uses that money to increase the balance of its departmental or administered special account before paying to the third party, it is then appropriated in its own right and becomes a responsible agency with respect to that appropriation, rather than acting as agent in relation to the original appropriation in Agency A.

Agency B must recognise the receipt and payment in its face statements accordingly.

***Drawing Rights***

104.84G For information on 3rd party arrangements, refer to [Finance Circular 2009/07 Issuing and Exercising Drawing Rights](#).

## Part J OTHER DISCLOSURES

### *OVERVIEW*

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

## **120 Special Accounts**

- 120.1** Agencies must make the special account disclosures as required in Table A on a cash basis. Agencies can disclose each special account in a separate table or each as a new column to the table.
- 120.2** Agencies must make special account disclosures related to investment of public money as required in Table B.

### ***Table A Special Accounts***

- 120.3** In the heading of Table A, agencies must indicate:
- (a) whether the special account is departmental, administered or special public money in nature;
  - (b) the purpose of the special account; and
  - (c) the authority under which the special account was established.
- 120.4** Table A must include information in relation to special accounts in the following mandatory line items in the sequence below, if applicable:
- (a) balance brought forward from previous period;
  - (b) appropriation for reporting period;
  - (c) costs recovered;
  - (d) realised investments;
  - (e) other receipts;
  - (f) total increase;
  - (g) available for payments;
  - (h) payments made;
  - (i) repayments;
  - (j) investments made from the special account ([FMA Act section 39](#));

- (k) total decrease; and
- (l) total balance carried to the next period.

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

**120.5** Table B must include information in relation to special accounts investment of public money in the following mandatory line items in the sequence below, if applicable:

- (a) full official title of Special Account: Investment of Public Money under [section 39 of the FMA Act](#);
- (b) opening balance;
- (c) investments made:
  - (i) from special account; and
  - (ii) other;
- (d) investment income;
- (e) transaction charges;
- (f) investment realised; and
- (g) closing balance.

**120.6** Investments made through a special account are generally external to the CRF and while the amounts form part of the balance of the special account, they are not included in the balance for the purposes of disclosing in Table A, they are disclosed in Table B.

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

**Other Requirements**

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

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

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

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

- 120.12** Transfers of departmental appropriations and/or administered appropriations, which have already been received and recognised, to a special account are not income recognised/disclosed in the financial statements. These transfers are internal transfers.
- 120.13** Agencies that have special accounts that have not been used during the current year and comparative year, regardless of whether they have nil or positive balances, may make the following disclosures in the notes to the financial statements instead of preparing Table A and Table B:
- (a) the special account's title;
  - (b) whether the account is departmental, administered or special public money in nature;
  - (c) the purpose of the special accounts;
  - (d) the authority under which the special account was established;
  - (e) a statement noting the special account has not been used during the current year and comparative year; and
  - (f) the special account's balance.
- 120.14** Where investments are made under an *Act* of Parliament other than [section 39 of the FMA Act](#), the same format as Table B should be followed. The name of the relevant *Act* and section under which the investment is made must be noted.
- 120.15** Agencies must report money subject to trust law that form part of the balance of a special account adjacent to the special account disclosure.
- 120.16** Special accounts that have been determined as business operations pursuant to [section 5A of the Financial Management and Accountability Regulations 1997](#) are required to comply with [section 7.1](#) of this schedule and prepare separate financial statements.

<i>POLICY</i>	
<i>Special Accounts Generally</i>	
120.51P	All special accounts that existed in either the current year or comparative year, regardless of whether they have been abolished must be reported in accordance with this schedule.
120.52P	Each special account must be classified as one or more of the following: <ul style="list-style-type: none"> <li>(a) departmental;</li> <li>(b) administered; or</li> <li>(c) special public money.</li> </ul>

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

***Accounting Arrangements***

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

120.55P Where the status of a special account has changed during the year, such that the account has been established, varied, revoked or abolished, the nature and date of effect of each change must be included in the heading information. Where the nature of these changes is significant, consideration must be given as to whether two disclosure tables should be prepared for the before and after periods to present the information in a true and fair manner.

120.56P Current year *Appropriation Acts* are to be reported as an aggregate figure in the special account table and the total amount transferred should reconcile to the relevant appropriation tables required by [Division 104](#) of this schedule. Major classes are as per the primary statements in Annexure A. Additional disclosure is required as follows:

- (a) each major class of Other receipts and Payments made;
- (b) where legislation directly increases a special account with amounts, this table must include a line Amounts credited under the (full name of) *Act*; and
- (c) where interest is received by a special account this table must include a line - Interest received.

***Special Account Disclosures***

120.57P The following additional information must be recorded for Table B:

- (a) this table must reflect investments made under [section 39 of the \*FMA Act\*](#) by the agency in respect of this special account;
- (b) if a delegation has been made under [section 39 of the \*FMA Act\*](#) to the CEO of the agency in respect of the special account, and that delegation has been used, the agency must disclose the aggregate of all those transactions in this table; and
- (c) where an agency has not used [section 39 of the \*FMA Act\*](#) in respect of the special account, that agency may make the following statement in place of disclosing this table:

“For the periods 2009-10 and 2010-11, [agency] has not used [section 39 of the \*FMA Act\*](#) in respect of this special account”

120.58P As required by [section 120.1](#), special account disclosures are to be made on a cash basis. In some circumstances, non-cash transactions will be required to be included in order to reflect the correct balance of investments of public money in Table B. This would include capital gains and losses on investments where applicable.

120.59P If “Other Receipts” relating to special accounts as outlined in the tables include material receipts from other governments (e.g., state or local), separate disclosures must be made for these receipts.

120.60P Amounts reported under “Other” in the special account tables could include adjustments that might be amounts drawn from the special account for the purpose of correcting errors. Adjustments should not be reported as a separate line in Table A.

***Assets held in Trust***

120.61P Assets held in trust as defined in [Division 38](#) that form part of the balance of a special account must also be reported in compliance with [section 38.56P](#).

***GST Disclosures***

120.62P From 2010-11, entities must:

- (a) disclose special accounts on a ‘recoverable GST exclusive’ basis; and
- (b) not disclose *FMA Act* s30A amounts in the special accounts note.

***GUIDANCE***

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***Special Accounts Generally***

120.71G [Sections 20 and 21 of the FMA Act](#) provide a standing appropriation for expenditure for the purposes of a special account up to the balance of the special account.

120.72G For information about special accounts, refer to [Finance Circular 2009/01 An Introduction to Special Accounts](#).

***Reporting Special Accounts***

120.73G The reporting of a special account is an essential part of acquitting responsibility for public money. [Sections 81 and 83 of the Constitution](#) and various provisions of the *FMA Act* require responsibility for and accountability over public money.

***Comcare Receipts***

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

***Investment Policies***

120.75G An investment policy overview required by [section 120.7](#) may include some or all of the following amongst others:

- (a) investment powers;
- (b) risk profile; and

(c) length of investment.

***Unidentified Receipts***

120.76G Unidentified receipts, including money found on Australian Government premises, should not be recorded against a special account as assets held in trust. Entities should refer to [section 38.72G](#) for guidance.

***Indigenous Employment Special Account***

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

## **121 Reporting of Outcomes**

- 121.1** Entities in the GGS must disclose outcomes related to departmental and administered items in accordance with this schedule. Entities that are not in the GGS must disclose total revenue from activities subject to cost recovery.
- 121.2** GGS entities must report the information contained in tables below in accordance with Annexure A:
- (a) *Table A Net Cost of Outcome Delivery;*
  - (b) *Table B Major Classes of Departmental Expenses, Income, Assets and Liabilities by Outcome; and*
  - (c) *Table C Major Classes of Administered Expenses, Income, Assets and Liabilities by Outcome.*

### ***Table A Net Cost of Outcome Delivery***

- 121.3** The amount in the total column for departmental and administered expenses in Table A must agree to the corresponding total in the entity's statement of comprehensive income or schedule of administered items, respectively.

### ***Table B Major Classes of Departmental Expenses, Income, Assets and Liabilities by Outcome***

- 121.4** The amount in the total column for departmental expenses, income, assets and liabilities in Table B must agree to the corresponding total in the entity's statement of comprehensive income and balance sheet respectively.

### ***Table C Major Classes of Administered Expenses, Income, Assets and Liabilities by Outcome***

- 121.5** The amount in the total column for each item in Table C must agree to the corresponding line item in the agency's schedule of administered items.

### ***Other Requirements***

- 121.6** Entities must attribute shared items using a basis that most accurately allocates the total cost, income, asset or liability to each outcome. If this basis differs from that used in preparing the Budget, additional disclosure must be included to explain the variation.
- 121.7** The attribution method used to apportion shared items must be reliable and must be disclosed in general terms in the text accompanying the Tables.

**121.8 Where an outcome changes during the year, entities must:**

- (a) match the changed outcome to accord with the adjusted outcome arrangements approved through the portfolio additional estimates process and published in an *Appropriation Act*;**
- (b) apportion the income and expenses disclosed between the new and former outcomes, so that entities report against the original outcomes up to the date of the change and against the revised outcomes after that date; and**
- (c) report the assets and liabilities disclosed against the former outcomes as at the date of the change, and the new outcomes as at the end of the reporting period.**

*POLICY*

***Outcomes Tables***

121.51P Entities must report on Government approved outcomes; either those that appear in the *Acts*, or for non-budget funded entities, the outcomes that have been approved by the Finance Minister.

121.52P Entities must state, in footnotes to the relevant tables, whether the net costs shown include intra-government costs (e.g., rent paid on Australian Government owned premises or fees for service) that would be eliminated in calculating the actual Budget outcome.

121.53P Entities must disclose both departmental income and expenses and departmental assets and liabilities (to the extent that assets and liabilities are reliably attributable) at outcome level. Agencies may choose to report some or all of this information at a lower level, but are not required to do so.

121.54P Outcomes must be presented as follows:

- (a) the column and row headings in Tables B and C may be varied, as necessary, but only in a manner consistent with the intended meaning;
- (b) the major classes disclosed in Tables B and C must match the major classes applicable to the disclosing entity;
- (c) entities with only one outcome may choose to omit preparing Table B and C, but are still required to prepare Table A;
- (d) the allocation of appropriations must use a method that is reliable (i.e., systematic, rational and able to produce comparable data over time);
- (e) all tables relating to outcomes may be presented in either portrait or landscape form; and
- (f) if an entity has a complex performance reporting framework,

Table B can be formatted like the Outcomes Reporting Table of the [Department of Prime Minister and Cabinet's Requirements for Annual Reports](#). That is, the outcomes can run down the side of the table and the major classes of expenses, income, assets and liabilities across the top with totals inserted after expenses.

121.55P Departmental and administered items in Table A must be combined to show the total cost of delivering (or contribution of) outcomes.

## *GUIDANCE*

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### *Comparative Information and Reclassification of Items*

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

### *Activities Subject to Cost Recovery*

121.72G The line items 'Activities subject to cost recovery' in Table A refer to total receipts from cost recovery activities that are subject to the Australian Government's Cost Recovery Guidelines. Details on the Australian Government's cost recovery policy are contained in [Finance Circular 2005/09 Australian Government Cost Recovery Guidelines](#) and more comprehensively in [Financial Management Guidance No. 4, Australian Government Cost Recovery Guidelines](#). For further information on cost recovery, entities should email the Charging Policy Team at [finframework@finance.gov.au](mailto:finframework@finance.gov.au).

### *GGS*

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

### *Outcomes Tables*

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

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

121.76G Payments to *CAC Act* bodies are not related to the paying agency's outcomes and are therefore not allocated. They must, however, be

included in the disclosures for completeness.

121.77G [AASB 1052 para. 16](#) requires disclosure of departmental assets and liabilities by major activity where they are reasonably attributable (and this schedule requires the same disclosure for administered assets and liabilities). Whether particular assets and liabilities cannot be reliably attributed is, however, a matter for each entity to determine.

121.78G Administered income does not include administered appropriations.

## **122 Compensation and Debt Relief in Special Circumstances**

**122.1** Where an agency has the authority in relation to any of the following items, the agency's financial statements must include a note showing departmental and administered expenses and/or liabilities (including nil and immaterial balances) for that item:

- (a) Act of Grace payments made under [subsection 33\(1\) of the FMA Act](#) as approved by the Finance Minister (or delegate);
- (b) Tactical Payments Scheme payments made under [Part X of the Defence Act 1903](#) as approved by the Defence Minister (or delegate);
- (c) waivers of amounts owing to the Australian Government, (being amounts that the entity would, but for the waiver, have been entitled to receive on behalf of the Australian Government);
  - (i) pursuant to [subsection 34\(1\) of the FMA Act](#); or
  - (ii) pursuant to other legislation, which must be specified.
- (d) payments made under the [Compensation for Detriment caused by Defective Administration \(CDDA\) Scheme](#);
- (e) payments made under approved ex-gratia programs, the nature of which must be identified; and
- (f) payments made in special circumstances relating to APS employment pursuant to [section 73 of the PS Act](#).

### **General Disclosure**

**122.2** The note must disclose:

- (a) the number of cases and total amount expended during the reporting period under each of the mechanisms specified under [section 122.1](#); and
- (b) the number and aggregate present value of future payments of those cases relating to any provisions at the end of the reporting period under each of the mechanisms specified under [section 122.1](#).

### **Act of Grace Payments**

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

### ***Tactical Payments Scheme Payments***

**122.4** The note must disclose the number of cases and total amount expended by operation for Tactical Payments Scheme payments.

### ***Debt Waivers***

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

## *GUIDANCE*

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### ***Act of Grace Payments***

122.71G The requirements of [section 122.2\(b\)](#) are particularly relevant where cases under the Act of Grace mechanism include periodical payments for specified periods past the reporting date, but may also apply to any of the other mechanisms in particular circumstances.

### ***Waivers of Amounts Owing***

122.72G Waivers may be made by the Finance Minister (or delegate) pursuant to [paragraph 34\(1\)\(a\) of the \*FMA Act\*](#) or by delegated officers pursuant to other legislative provisions.

122.73G Waivers of amounts owing may be made for various reasons but are most commonly approved in circumstances where the payment of debt would be inequitable to the individual or entity concerned, or the claimant is suffering financial hardship. Once an amount owing is waived, it is no longer recoverable by law. It should be noted that providing for or writing off amounts in an accounting sense does not constitute a legal waiver. Unless there is a legal waiver, debts are still legally collectable and subject to [section 47 of the \*FMA Act\*](#).

### ***Scheme for Compensation for Detriment caused by Defective Administration (CDDA Scheme)***

122.74G [CDDA Scheme](#) payments may be approved by Ministers (or officers authorised by Ministers) under an administrative scheme, which was introduced in 1995.

122.75G The [CDDA Scheme](#) provides each Minister with a discretionary authority to compensate persons who have suffered detriment due to the defective actions, or inactions, of agencies within the particular Minister's portfolio, and where the claimant has no legal or statutory right of redress, such as a legal claim against the Australian Government.

### ***Ex-gratia Payments***

122.76G Ex-gratia payment programs may be approved by the Prime Minister

and/or Cabinet, based on the Government's executive powers under the Constitution.

- 122.77G The policy and guidelines established for each ex gratia program provide the circumstances under which payments can be made, and the authority for making individual payments under the program, subject to a decision by the Prime Minister or Cabinet to make payments.

***Payments in Special Circumstances under [section 73 of the PS Act](#)***

- 122.78G [Section 73 of the PS Act](#) allows the Prime Minister as the Public Service Minister to authorise the making of payments to a person in special circumstances that relate to, or arise out of:
- (a) the payee's employment in the Commonwealth; or
  - (b) another person's employment in the Commonwealth.
- 122.79G The Prime Minister has delegated to Agency Heads the power to authorise the making of payments under [section 73 of the PS Act](#). It is important to note however, that agency heads can only exercise this power personally. The power cannot be sub-delegated.
- 122.80G The arrangements under the [PS Act](#) are consistent with (and in many respects, parallel to) the Act of Grace provisions of the [FMA Act](#), except that they specifically relate to APS employment and authorisations are limited to \$100,000. Accordingly, payments in special circumstances relating to APS employment may be authorised by the Public Service Minister (or delegate), even though the payments would not be authorised by law or required to meet a legal liability.
- 122.81G Additional information on APS employment payments in special circumstances can be found in the [Australian Public Service Commission's Circular 2003/1: Payments in special circumstances - Section 73 of the PS Act 1999](#) and [PS Act Advice No 30 Payments in special circumstances](#).

***Further Information***

- 122.82G Further information on the various means of compensation and debt relief can be found in [Finance Circular 2009/09 Discretionary Compensation and Waiver of Debt Mechanisms](#).

## 123 **Competitive Neutrality**

**123.1** Entities that are required to make CN payments under the [Commonwealth Competitive Neutrality Policy Statement – June 1996](#), must explain and separately disclose the amount of each of the following:

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

### *POLICY*

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- 123.51P A TER requires an entity to calculate an income tax liability in a comparable manner to its competitors. This liability must be reported in accordance with [AASB 112](#).
- 123.52P Where there is no TER, the entity can seek formal approval from the Portfolio Minister to adopt a suitable tax treatment.
- 123.53P CN payments must form part of the relevant line item to which they relate in the face statements and be disclosed separately in a note to that item. For example, Commonwealth tax equivalent expense forms part of income tax expense in the statement of comprehensive income and is disclosed separately in the income tax expense note. Similarly, debt neutrality expense forms part of finance costs in the statement of comprehensive income and is disclosed separately in the finance costs note.

### *GUIDANCE*

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- 123.71G Portfolio Ministers are required to ensure that all significant government business activities within their portfolio comply with established CN requirements. This includes the TERs.
- 123.72G CN requires that government business activities do not have net competitive advantages over their private sector competitors as a result of their public ownership. CN arrangements are implemented to ensure that resources available for public expenditure are used in the most efficient manner possible. Employment of CN arrangements will also improve transparency and accountability by presenting costs in a comparable manner to those of the private sector.

- 123.73G CN payments are also disclosed as a note to the net cost of outcome table.
- 123.74G In general, CN arrangements specifically apply to:
- (a) all GBEs and their subsidiaries;
  - (b) Commonwealth companies;
  - (c) Commonwealth business operations;
  - (d) bids by all Commonwealth Government in-house units for competitive tendering and contracting (CTC) contracts:
    - CTC units with turnover under \$10 million still have to earn commercial returns, but may incur other CN costs on a notional basis;
  - (e) government business activities not in the above categories that are undertaken within (non-GBE) statutory authorities or departments with commercial turnover of at least \$10 million per annum:
    - government business activities with turnovers under \$10 million will not initially be subject to the CN implementation arrangements, but particular activities may be subject to CN following complaints to the Commonwealth Competitive Neutrality Complaints Office. (These activities may choose to apply CN, on the same basis as applies to CTC activities under \$10 million, in order to prevent complaints); and
  - (f) all future government business activities meeting the above criteria.
- 123.75G For further guidance on CN and TERs, refer to the information on CN on the [Department of the Treasury](#) and [Finance](#) websites or email [finframework@finance.gov.au](mailto:finframework@finance.gov.au).

## **ANNEXURE A – FORMS OF FINANCIAL STATEMENTS**

- A.1** The Forms of Financial Statements (Forms) set out the prescriptive content, layout, and formatting requirements for all Australian Government entities in compiling and presenting their annual financial statements in compliance with Schedule 1 and the AAS and associated authoritative requirements. The Forms have been designed to meet common disclosure requirements of agencies and authorities respectively and therefore do not address all disclosure requirements.
- A.2** Australian Government entities are required to present all disclosures necessary to give a true and fair view of their results and financial position. Entities are permitted:
- (a) to include further disclosures as they deem appropriate to meet their stakeholders' information needs and be reflective of their operations including those that are required by AAS addressed in A.3 as applicable;
  - (b) not to include components of the Forms that are not relevant to their operations or where no activity in either the current or previous financial reporting period has taken place;
  - (c) to alter or amend the numbering of notes but not their sequencing within the presentation of the financial statements as set out within the Forms except where amendments permitted under (a), and (b) above require such components of the Forms to be inserted, deleted or added, and to ensure the contextual and logical flow of information for stakeholders;
  - (d) to aggregate line items that are not significant in understanding the entity's operations; and
  - (e) to amend disclosures such that they reflect the nature of the entity, its activities, financial results and position as at the reporting date. This includes amending Note 1, so that it appropriately discloses the entity's accounting policies.
- A.3** Entities should be aware that disclosure requirements for the following Standards, legislation and reporting requirements have not been incorporated into the Forms and where relevant must be included in the financial statements of the entity.

Standards, legislation and reporting requirements not addressed include:

- [\*Corporations Act 2001\*](#)
- [\*AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards\*](#)
- [\*AASB 2 Share-based payment\*](#)
- [\*AASB 3 Business Combinations\*](#)
- [\*AASB 4 Insurance Contracts\*](#)

- [\*AASB 6 Exploration for and Evaluation of Mineral Resources\*](#)
- [\*AASB 8 Operating Segments\*](#)
- [\*AASB 111 Construction Contracts\*](#)
- [\*AASB 112 Income Taxes\*](#) with respect to tax effect accounting
- [\*AASB 119 Employee Benefits\*](#) with respect to defined benefit post employment fund disclosures
- [\*AASB 120 Accounting for Government Grants and Disclosure of Government Assistance\*](#)
- [\*AASB 124 Related Party Disclosures\*](#)
- [\*AASB 127 Consolidated and Separate Financial Statements\*](#)
- [\*AASB 129 Financial Reporting in Hyperinflationary Economies\*](#)
- [\*AASB 133 Earnings per Share\*](#)
- [\*AASB 134 Interim Financial Reporting\*](#)
- [\*AASB 139 Financial Instruments: Recognition and Measurement\*](#) with respect to hedge accounting
- [\*AASB 141 Agriculture\*](#)
- [\*AASB 1023 General Insurance Contracts\*](#)
- [\*AASB 1038 Life Insurance Contracts\*](#)
- [\*AASB 1039 Concise Financial Reports\*](#)
- [\*AASB 1049 Whole of Government and General Government Sector Reporting\*](#)
- [\*AASB 1051 Land Under Roads\*](#)
- [\*AAS 25 Financial Reporting by Superannuation Plans\*](#)

**This listing is not exhaustive. Compliance with these additional disclosures and AASB interpretations is required where appropriate to present a true and fair view.**

*POLICY*

- A.51P      The following PRIMA Forms are policy to Annexure A:
- a) Not-for-Profit PRIMA FMA and CAC Forms; and
  - b) For-Profit PRIMA Forms.