



Summary of significant changes to 2019-20 financial statements reporting guidance

1. Overview

This document is to provide entities with an overview of the significant changes to the financial reporting guidance including the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR), *RMG 125 Commonwealth entities financial statements guide* (RMG 125) and the Primary Reporting and Information Management Aid (PRIMA) documents arising from changes to legislation, accounting standards or policy decisions. The changes apply to the 2019-20 financial statements.

2. Changes to the FRR

The FRR sets out the financial reporting requirements for Commonwealth reporting entities. All Commonwealth reporting entities are required to prepare their financial statements in accordance with the PGPA Act, the FRR and the *Australian Accounting Standards* (AAS) and/or other entity-specific legislation.

The major changes from the 2018-19 version are as follows:

- amendment of the reporting period of the FRR to align with the definition of reporting period in section 8 of the PGPA Act
- repeal of the reference to the no longer in force section 193H of the *Aboriginal and Torres Strait Islander Act 2005*
- application of *AASB 16 Leases* to clarify the accounting treatment and financial reporting requirements for right-of-use assets under AASB 16
- addition of the National Housing Finance and Investment Corporation to the list of entities required to prepare full disclosures at Tier 1 level
- amendment to the list of entities who are required to prepare full disclosures at Tier 1 level and the list of entities who are required to prepare disclosure notes at Tier 1 level, to reflect the Administrative Arrangements Order that came into effect on 1 February 2020
- minor changes to clarify the exclusion of superannuation additional lump sum amounts from the Key Personnel Management Remuneration disclosure note.

Appendix A provides a detailed list of changes to the FRR.

3. Changes to RMG 125

The RMG 125 *Commonwealth entities financial statements guide* (RMG 125) applies to all Commonwealth reporting entities responsible for preparing financial statements under the FRR.

As part of the update, the structure of RMG 125 has been refreshed to reflect a web based layout for online use and accessibility, with hyperlinks that help users to find the information they need. Where possible the guide has been updated with a contemporary writing style, so that information is more concise, clear, readable and easier to understand.

The major changes from the 2018-19 version are:

- application of *AASB 16 Leases*
- application of *AASB 15 Revenue from Contracts with Customers*
- application of *AASB 1058 Income of Not-for-Profit Entities*
- additional guidance on the recognition of accrued expenses
- additional guidance on heritage and cultural assets.

Appendix B has a detailed list of significant changes to RMG 125.

4. Changes to PRIMA

The PRIMA model demonstrates the most common disclosures and presentation affecting entities. There are two separate sets of PRIMA forms to demonstrate tiered reporting requirements (Tier 1, full disclosures; or Tier 2, Reduced Disclosure Requirements).

The key principle of PRIMA is to include disclosures that are required by most AAS or the FRR. PRIMA continues to be guidance only, so entities have the opportunity to customise disclosures (provided they still comply with AAS and FRR – this includes the sequence of notes).

- Entities should note that, with the introduction of the Transparency portal (transparency.gov.au), they should publish in their financial statements, the data required to enable these financial aggregates to be reported consistently across government.

For 2019-20 financial reporting, the PRIMA forms reflect the amendments to the FRR, and the following:

- changes in primary statements and various notes to reflect the implementation of *AASB 16 Leases*
- changes in primary statements and various notes to reflect the implementation of *AASB 15 Revenue from Contracts with Customers*
- changes in primary statements and various notes to reflect the implementation of *AASB 1058 Income of Not-for-Profit Entities*
- removal of the transition tables from the implementation of *AASB 9 Financial Instruments*.

Appendix C provides a list of tables that have been updated in PRIMA.

Appendix A: Changes to FRR

FRR for 2018-19	Changes to FRR for 2019-20
<p>3 Authority</p> <p>(2) For reporting periods ending on or after 1 July 2018, this rule sets out the requirements for the preparation of financial statements under:</p>	<p>3 Authority</p> <p>(2) For reporting periods commencing on or after 1 July 2019, this rule sets out the requirements for the preparation of financial statements under:</p>
<p>3 Authority</p> <p>(2)(c) section 193H of the <i>Aboriginal and Torres Strait Islander Act 2005</i> in relation to how the accounts and financial statements must be prepared for the Land Account</p>	<p>3 Authority</p> <p>(2)(c) section 193H of the <i>Aboriginal and Torres Strait Islander Act 2005</i> in relation to how the accounts and financial statements must be prepared for the Land Account</p>
<p>17 Valuation of non-financial assets (AASB 116 <i>Property, Plant and Equipment</i>, AASB 138 <i>Intangible Assets</i> or AASB 140 <i>Investment Property</i>)</p> <p>(1) When applying AASB 116 <i>Property, Plant and Equipment</i>, AASB 138 <i>Intangible Assets</i> or AASB 140 <i>Investment Property</i> in preparation of financial statements, reporting entities must apply subsections (2) to (5).</p>	<p>17 Valuation of non-financial assets (AASB 16 <i>Leases</i>, AASB 116 <i>Property, Plant and Equipment</i>, AASB 138 <i>Intangible Assets</i> or AASB 140 <i>Investment Property</i>)</p> <p>(1) When applying AASB 16 <i>Leases</i>, AASB 116 <i>Property, Plant and Equipment</i>, AASB 138 <i>Intangible Assets</i> or AASB 140 <i>Investment Property</i> in preparation of financial statements, reporting entities must apply subsections (2) to (5).</p>
<p>17 Valuation of non-financial assets (AASB 116 <i>Property, Plant and Equipment</i>, AASB 138 <i>Intangible Assets</i> or AASB 140 <i>Investment Property</i>)</p>	<p>17 Valuation of non-financial assets (AASB 116 <i>Property, Plant and Equipment</i>, AASB 138 <i>Intangible Assets</i> or AASB 140 <i>Investment Property</i>)</p> <p>(2A) Despite subsection (2), if a right-of-use asset recognised under AASB 16 relates to a class of property, plant and equipment to which the lessee reporting entity applies the revaluation model in AASB 116, the lessee reporting entity must, after the initial measurement of the right-of-use asset, measure the right-of-use asset by applying the cost model in AASB 16.</p>

<p>18 AASB 1053 Application of Tiers of Australian Accounting Standards</p> <p>(2) The following reporting entities must, in preparation of their financial statements, apply Tier 1 reporting requirements:</p> <ul style="list-style-type: none"> (a) Australian National University; (b) Australian Office of Financial Management; (c) Australian Postal Corporation; (d) Comcare; (e) Commonwealth Superannuation Corporation; (f) Defence Housing Australia; (g) Export Finance and Insurance Corporation; (h) Future Fund Management Agency; and (i) Reserve Bank of Australia 	<p>18 AASB 1053 Application of Tiers of Australian Accounting Standards</p> <p>(2) The following reporting entities must, in preparation of their financial statements, apply Tier 1 reporting requirements:</p> <ul style="list-style-type: none"> (a) Australian National University; (b) Australian Office of Financial Management; (c) Australian Postal Corporation; (d) Comcare; (e) Commonwealth Superannuation Corporation; (f) Defence Housing Australia; (g) Export Finance and Insurance Corporation; (h) Future Fund Management Agency; (ha) National Housing Finance and Investment Corporation; (i) Reserve Bank of Australia
<p>18 AASB 1053 Application of Tiers of Australian Accounting Standards</p> <p>(3)(table item 2A)</p> <p>(2A) Department of Communications and the Arts</p>	<p>18 AASB 1053 Application of Tiers of Australian Accounting Standards</p> <p>(3) (table item 2A)</p> <p>(2A) Department of Agriculture, Water and the Environment</p>
<p>18 AASB 1053 Application of Tiers of Australian Accounting Standards</p> <p>(3)(table item 4)</p> <p>(4) Department of Education and Training</p>	<p>18 AASB 1053 Application of Tiers of Australian Accounting Standards</p> <p>(3) (table item 4)</p> <p>(4) Department of Education, Skills and Employment</p>
<p>18 AASB 1053 Application of Tiers of Australian Accounting Standards</p> <p>(3) (table item 7)</p> <p>(7) Department of Industry, Innovation and Science</p>	<p>18 AASB 1053 Application of Tiers of Australian Accounting Standards</p> <p>(3) (table item 7)</p> <p>(7) Department of Industry, Science, Energy and Resources</p>

<p>18 AASB 1053 Application of Tiers of Australian Accounting Standards</p> <p>(3)(table item 7A)</p> <p>(7A) Department of Infrastructure, Regional Development and Cities</p>	<p>18 AASB 1053 Application of Tiers of Australian Accounting Standards</p> <p>(3) (table item 7A)</p> <p>(7A) Department of Infrastructure, Transport, Regional Development and Communications</p>																		
<p>18 AASB 1053 Application of Tiers of Australian Accounting Standards</p> <p>(3)(table item 7B)</p> <table border="1" data-bbox="204 685 759 1104"> <tr> <td data-bbox="204 685 389 1104">Department of the Environment and Energy</td> <td data-bbox="389 685 572 1104">Administered financial assets</td> <td data-bbox="572 685 759 1104">AASB 7 <i>Financial Instruments: Disclosure</i></td> </tr> <tr> <td></td> <td data-bbox="389 853 572 965">Administered financial instruments</td> <td data-bbox="572 853 759 965">AASB 13 <i>Fair Value Measurement</i></td> </tr> <tr> <td></td> <td data-bbox="389 965 572 1104">Administered fair value measurement</td> <td></td> </tr> </table>	Department of the Environment and Energy	Administered financial assets	AASB 7 <i>Financial Instruments: Disclosure</i>		Administered financial instruments	AASB 13 <i>Fair Value Measurement</i>		Administered fair value measurement		<p>18 AASB 1053 Application of Tiers of Australian Accounting Standards</p> <p>(3) (table item 7B)</p> <table border="1" data-bbox="826 685 1382 1104"> <tr> <td data-bbox="826 685 1010 1104"><u>Department of the Environment and Energy</u></td> <td data-bbox="1010 685 1193 1104"><u>Administered financial assets</u></td> <td data-bbox="1193 685 1382 1104"><u>AASB 7 <i>Financial Instruments: Disclosure</i></u></td> </tr> <tr> <td></td> <td data-bbox="1010 853 1193 965"><u>Administered financial instruments</u></td> <td data-bbox="1193 853 1382 965"><u>AASB 13 <i>Fair Value Measurement</i></u></td> </tr> <tr> <td></td> <td data-bbox="1010 965 1193 1104"><u>Administered fair value measurement</u></td> <td></td> </tr> </table>	<u>Department of the Environment and Energy</u>	<u>Administered financial assets</u>	<u>AASB 7 <i>Financial Instruments: Disclosure</i></u>		<u>Administered financial instruments</u>	<u>AASB 13 <i>Fair Value Measurement</i></u>		<u>Administered fair value measurement</u>	
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<p>25 Measurement and disclosure of post employment plans</p>	<p>25 Measurement and disclosure of post employment plans</p> <p>(4A) Despite subsection (4), reporting entities participating in the PSS and CSS schemes must not account for additional lump sum payments (which are not considered compensation under AASB 124) that are payable to Finance in relation to those schemes.</p>																		

Appendix B: Key content changes to RMG 125

Please note the paragraph references in the first column reflect the 2018-19 RMG 125 and the second column, the updated paragraph numbers in the 2019-20 RMG 125.

2018-19 RMG 125	2019-20 RMG 125
Part 3 – Application and Presentation	Part 1 – Foundations for financial statements
<p><u>Other Reporting Requirements</u></p>	<p><u>1.2 Financial reporting requirements</u></p> <p>Additional notes</p> <p>9 - Where an entity includes notes and disclosures in addition to those required under the FRR and the AAS then these should not be inconsistent with FRR and AAS requirements including measurement and recognition.</p>
Part 3 – Application and Presentation	Part 2 – Application and presentation
<p><u>Exemptions from the FRR</u></p> <p>73. In accordance with this topic, reporting entities may apply to the Finance Minister for an exemption from specific FRR requirements. Exemptions may be granted subject to conditions, including a requirement for alternative forms of disclosure. However, requests for an exemption will not be granted by the Finance Minister if they would result in potential breaches of the FRR or PGPA Act or non-compliance with an AAS. Entities must be aware that material non-compliance with AAS could also breach the PGPA Act.</p> <p>74. An exemption that has been applied, should be disclosed in accordance with section 10(e) of the FRR.</p> <p>75. An exemption that has been granted but not applied by the entity does not have to be disclosed.</p>	<p><u>2.4 Exemptions from the FRR</u></p> <p>29 - The Finance Minister may grant an exemption from specific FRR requirements. A granted exemption may be subject to conditions, including a requirement for alternative forms of disclosure.</p> <p>30 - An exemption would not be granted, if it may lead to a potential breach of the FRR or PGPA Act, or non-compliance with an AAS. Entities must be aware that material non-compliance with the AAS would also breach the PGPA Act.</p> <p>31- Approved exemptions from the FRR requirements are listed in the List of exemptions. Approvals remain effective until they are rescinded in writing or when the FRR is repealed, whichever occurs first. An exemption that has been:</p> <ul style="list-style-type: none"> • applied should be disclosed, in accordance with section 10(e) of the FRR • granted but not applied by the entity does not have to be disclosed.
Part 4 – Statement of Comprehensive Income (excluding Appropriations)	Part 3 – Statement of comprehensive Income
<p><u>Statement of Comprehensive Income</u></p> <p>Single statement of comprehensive income</p> <p>79. AASB 101 Presentation of Financial Statements requires income and expenses to be presented in: a single statement of comprehensive income; or 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).</p>	<p>56 - This Part excludes information on appropriations—see Part 8: Appropriations.</p> <p>57 - Under section 12 of the FRR each entity must present income and expenses in a single statement of comprehensive income—entities are not permitted to prepare a separate income statement and statement of comprehensive income (even though AASB 101 permits this).</p>

<p>80. Section 12 of the FRR removes the two statements option for reporting entities.</p> <p>81. Not-for-profit entities need to adopt the Net Cost of Services (NCOS) format for the statement of comprehensive income consistent with PRIMA Forms.</p>	<p>58 - NFP entities must use the Net Cost of Services format for the statement of comprehensive income consistent with <u>PRIMA forms</u>.</p> <p>59 - Presentation of expenses in the comprehensive income should be on a positive basis unless the specific expense item is a negative expense (eg credit balance)—to support <u>transparency.gov.au</u> disclosures.</p>
	<p><u>3.1 Revenue</u></p> <p>Revenue recognised by not-for-profit entities</p> <p>68 - To determine if a transaction is in the scope of <u>AASB 15 Revenue from Contracts with Customers</u> (AASB 15), <u>AASB 1058 Income of Not-for-Profit Entities</u> (AASB 1058) or both, NFP entities must perform a detailed contract review for their income streams. The following decision tree is to assist with the review:</p> <p><i>(See Page 24 of the guide for the diagram)</i></p> <p>Application of revenue standards</p> <p>69 - AASB 15 does not apply to the customer in the contract. Under paragraphs 22-30 of AASB 15, performance obligations are required to be identified, and the transaction price must be allocated before the application of the revenue standards (paragraphs 73-86 of AASB 15).</p> <p>70 - Where the following is present, it may indicate that a contract component is likely to be for enabling the NFP to further its objectives (ie in the nature of a donation):</p> <ul style="list-style-type: none"> • a non-refundable component of the transaction price • where the entity has the status of a deductible gift recipient—the donor can claim part of the transaction price as a tax deduction for a donation. <p>71 - As listed in paragraph B2 of AASB 1058, examples of transactions that do not relate to performance obligation/s (ie donation transactions) are:</p> <ul style="list-style-type: none"> • cash and other assets received from grants, bequests or donations • receipts of appropriations by government departments and other public sector entities • receipts of taxes, rates or fines • assets acquired for nominal or low amount. <p>72 - For more information, see Finance position paper <u>Implementation Options for AASB 1058</u></p>

Income of not-for-profit entities in conjunction with AASB 15 Revenue from contracts with Customers.

Revenue recognition

73 - Entities shall measure and recognise the amount of the transaction price as revenue when a performance obligation is satisfied. In certain circumstances, when the income recognition needs to be deferred, entities are required to have a reliable basis for attributing expenses to the related performance obligation.

Variable consideration

74 - Contracts may include variable consideration, due to discounts, rebates, refunds, credits, price concessions, incentives, penalties or other similar items. Where this is the case, under paragraph 54 of AASB 15, entities shall apply one method consistently throughout the contract when estimating the effect of an uncertainty on variable consideration.

75 - Of the two methods specified in paragraph 53 of AASB 15, entities must select the one that is expected to best predict the amount of consideration the entity will be entitled to.

Non-contractual income from statutory requirements

76 - Income arising from statutory requirements (eg taxes, rates and fines) recognised during the period must be disaggregated into categories that reflect how the nature and amount of income are affected by economic factors (paragraph 28 of AASB 1058), noting that:

- taxes, rates and fines are not recognised in accordance with AASB 15, even when they are raised in respect of specific goods or services and they are not contributions by owners acting in their capacity as owners (paragraphs B28-29 of AASB 1058)
- income tax receivable from a taxpayer, the interest income and impairment losses recognised in relation to such receivables during the period are not a financial asset as defined in AASB 132 Financial Instruments: Presentation.
- under paragraph 30 of AASB 1058, other information that may be appropriate for an entity to disclose includes for each class of taxation, income that the entity cannot measure reliably during the period in which the taxable

	<p>event occurs (paragraphs B28-31 of AASB 1058), including:</p> <ul style="list-style-type: none"> ○ information about the nature of the tax ○ the reason/s why that income cannot be measured reliably ○ when that uncertainty might be resolved. <p>Licences</p> <p>77 - Appendix G of AASB 15 provides implementation guidance for NFP public sector licensors, including for:</p> <ul style="list-style-type: none"> • determining how to account for revenue from licences • distinguishing a licence (ie subject to AASB 15) from a tax (ie subject to AASB 1058) • non-contractual licences arising from statutory requirements • recognition exemptions.
<p>Paid Parental Leave Scheme</p> <p>93. Payments under the Paid Parental Leave Scheme are taxable and subject to income and residency tests. Payments are not salary for workers compensation purposes and this leave is not counted as paid leave.</p> <p>94. Employers are not obliged to make payments unless they have received funding from the government prior to payroll cut off.</p> <p>95. Section 27 of the PGPA Rule provides that amounts received by employers under the scheme are 'relevant non-corporate entity receipts' and may be retained and used by non-corporate Commonwealth entities in accordance with section 74 of the PGPA Act.</p> <p>96. Entities are responsible for determining the payroll, accounting, recording and reconciliation processes relating to receipt and payment of parental leave.</p> <p>97. Non-corporate Commonwealth entities are to disclose paid parental leave receipts in their financial statements as 'relevant non-corporate Commonwealth entity receipts' (section 74 of the PGPA Act).</p> <p>Paid Parental Leave Scheme – accounting treatment for Statement of Comprehensive Income</p> <p>98. Amounts received by employers under the scheme are not revenue for the purposes of AASB 118 Revenue. Consequently, payments to employees for parental leave are not expenses.</p>	<p>Paid Parental Leave scheme</p> <p>80 - Payments under the PPL scheme are taxable and subject to income and residency tests. PPL payments are not salary for workers compensation purposes and PPL leave is not to be counted as paid leave.</p> <p>81 - Employers are not obliged to make payments unless they have received funding from the government prior to payroll cut off.</p> <p>82 - Section 27 of the <i>Public Governance, Performance and Accountability Rule 2014</i> (PGPA Rule) provides that amounts received by employers under the scheme are 'relevant non-corporate entity receipts' and may be retained and used by non-corporate entities in accordance with section 74 of the PGPA Act. Entities are responsible for determining the payroll, accounting, recording and reconciliation processes relating to receipt and payment of parental leave.</p> <p>83 - Under section 74 of the PGPA Act, non-corporate entities are to disclose PPL receipts in their financial statements as 'relevant non-corporate Commonwealth entity receipts'.</p> <p>84 - For the PPL scheme, accounting treatments include:</p> <ul style="list-style-type: none"> • the statement of comprehensive income— amounts received by employers under the scheme are not revenue for the purposes of

<p>Paid Parental Leave Scheme – accounting treatment for Statement of Financial Position</p> <p>99. Where employers have received amounts at balance date that have not yet been paid to employees, they must be accounted for as cash and a liability (i.e., payable).</p> <p>Paid Parental Leave Scheme – accounting treatment for Statement of Cash Flows</p> <p>100. For the purposes of AASB 107 Statement of Cash Flows, receipts and payments must be accounted for as operating cash flows (refer to paragraphs 13 to 15 of AASB 107).</p> <p>101. Cash flows associated with the scheme can either be reported on a gross basis, or a net basis in accordance with paragraph 22(b) of AASB 107.</p>	<p>AASB 1058 therefore, payments to employees for parental leave are not expenses</p> <ul style="list-style-type: none"> • accounting treatment for statement of financial position—as employers have received amounts at balance date that have not yet been paid to employees, these must be accounted for as cash and a liability (ie payable) • statement of cash flows—for the purposes of <i>AASB 107 Statement of Cash Flows</i> (AASB 107), receipts and payments must be accounted for as operating cash flows—see paragraphs 13-15 of AASB 107. Cash flows associated with the PPL scheme are to be reported on either a gross or net basis, in accordance with paragraph 22(b) of <i>AASB 107</i>.
<p><u>Expenses – General Information</u></p>	<p><u>3.2 Expenses</u></p> <p>Recognition of accrued expenses</p> <p>85 - Accrued expenses are only to be recognised to the extent that they meet the requirements for recognition of the liability under <i>AASB 137 Provisions, Contingent Liabilities and Contingent Assets</i> (AASB 137). For guidance and examples on what constitutes a present obligation, see paragraphs Aus26.1 and Aus26.2 of <i>AASB 137</i>.</p>
<p><u>Leases</u></p> <p>Disclosure of leases</p> <p>116- Paragraph 35 of AASB 117 Leases requires minimum lease payments, sublease payments and contingent rents to be separately disclosed for operating leases in the notes to the financial statements.</p> <p>117- In relation to accounting treatment by the lessee, refer to RMG 110 - Accounting for operating lease expenses and incentives.</p> <p>118- AASB 16 Leases applies for the financial reporting periods beginning on or after 1 January 2019. This standard removes the distinction between operating and finance leases for lessees. The transition choices are outlined in Finance position paper - implementation Options for AASB 16 published on the Finance website.</p> <p>Lease incentives</p> <p>119. In relation to lease incentives, refer to RMG 110 - Accounting for operating lease expenses and incentives.</p>	<p><u>3.4 Leases</u></p> <p>100 - <i>AASB 16 Leases</i> (AASB 16) applies to financial reporting periods on or after 1 January 2019.</p> <p>101 - This standard sets the principles for the recognition, measurement, presentation and disclosure of leases to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. Entities are to:</p> <ul style="list-style-type: none"> • consider the terms and conditions of contracts and all relevant facts and circumstances when applying AASB 16 • apply the standard consistently to contracts with similar characteristics and in similar circumstances. <p>Transition to AASB 16</p> <p>102 - Under the options for lease incentives received, <i>AASB 16</i> permits entities to derecognise this balance and recognise an adjustment to the retained earnings opening balance, as at the date of initial application of the standard. For transition</p>

Identifying leases

120. Further guidance on how to determine if an arrangement constitutes or contains a lease can be found in Interpretation 4 Determining whether an Arrangement contains a Lease issued by the AASB.

Classifying leases

121. A finance lease transfers substantially all the risks and rewards incidental to ownership. An operating lease does not transfer substantially all the risks and rewards incidental to ownership. Paragraphs 7 to 13 of AASB 117 provide further information about the classification of leases.

Classifying leases with a land component for accounting purposes

122. AASB 117 requires leases to be classified as either 'operating' or 'finance' leases at the inception of the lease irrespective of whether the entity is the lessee or the lessor (paragraph 13). Where a lease contains both land and buildings each component must be assessed separately (paragraph 15A).

123. The land component of a lease can be considered a finance lease if substantially all of the risks and rewards are transferred to the lessee, even if title to the land does not transfer to the lessee at the end of the lease term.

124. As AASB 117 specifically considers land to normally have an indefinite economic life, the following principles should assist entities in classifying leases:

- leases with a lease term < 50 years conducted on an arm's length basis are unlikely to transfer substantially all of the risks and rewards of land ownership to the lessee.
- where the present value of the lease residual is > 5% of the land fair value it is unlikely that substantially all of the rewards of ownership have transferred.

125. When classifying leases, entities must also take into account any specific circumstances affecting the risks and rewards. These include, but are not limited to:

- lease terms imposing unusual obligations or restrictions on the lessee or lessor;
- lease terms providing unusual rights to the lessee or lessor;
- non-commercial arrangements; and/or
- options for title transfer or bargain purchase.

options, see [Implementation Options for AASB 16 Leases](#).

103 - On transition, entities will only recognise lease incentives receivable when, in accordance with the contract terms and conditions:

- the entity has incurred the costs prior to transition to AASB 16
- is awaiting for the lessor to refund and/or make available the lease incentives.

104 - For the lessee, to recognise the receivable, the lessor must be obliged to provide the lease incentives to the lessee.

105 - For more information on the implementation of AASB 16, see:

- EM 2019-03 Implementation of AASB 16 Leases
- EM 2019-16 Implementation of AASB 16 Leases – Phase Two
- EM 2019-30 Implementation of AASB 16 Leases – Phase Three
- EM 2019-39 - Leases Phase 4 - Monthly Profiles and Monthly Actuals – Phase Four
- guidance on determining if an arrangement constitutes or contains a lease, at paragraphs B9 – B11 and the decision tree at paragraph B31 of AASB 16.

Disclosure of leases

106 - For lessees, AASB 16 removes the distinction between operating and finance leases. On the balance sheet, all lessee leases are to be recognised as a right-of-use (ROU) asset and lease liability.

107 - For lessors, each lease is to be classified as either an operating lease, or a finance lease.

Lessors are to:

- **disclose minimum lease payments, sublease payments and contingent rents**—disclosed separately for each class
- **disclose operating leases** in the notes to the financial statements
- **classify leases with a land component for accounting purposes**—assess the classification of each element as a finance lease or an operating lease separately, as detailed in *Implementation options for AASB 16 Leases*.

<p>126. There may be specific issues involved with identifying and classifying the land component of a lease, including:</p> <p>Commitments - Leases</p> <p>276. Operating lease disclosures, in relation to the disclosure of future minimum lease payments or sublease payments expected to be received as required by AASB 117 Leases, must be included in the notes to the financial statements. These disclosures apply equally to sale and leaseback transactions which are classified as operating leases.</p> <p>277. Finance lease disclosures in relation to future minimum lease payments required by paragraph 47 of AASB 117 Leases must also be disclosed in notes to the financial statements.</p>	<p>Lessees' treatment of right-of-use assets</p> <p>108 - Lease ROU assets should be classified by Commonwealth lessees as separate asset classes to corresponding assets owned outright. Entities must disclose ROU assets as a separate class.</p> <p>109 - Commonwealth lessees are required to apply a cost model under AASB 16 to measure lease ROU assets for initial recognition, initial measurement and subsequent measurement of lease ROU assets. See subparagraph 17(2A) of the FRR and section 4.2 Valuation of non-financial assets.</p> <p>Lessor classification of a sublease</p> <p>110 - For a sub-lessor, whether a sublease is accounted for as a finance lease or an operating lease depends on whether substantially all the risks and rewards incidental to ownership of the underlying ROU asset are transferred. The minimum benchmark for a sublease to be considered a finance sublease is the transfer of at least 75 per cent of the head lease ROU asset.</p> <p>Lease maturity analysis</p> <p>111 - Under AASB 16:</p> <ul style="list-style-type: none"> • lessee disclosures on the maturity analysis for lease liabilities must also be disclosed separately in notes to the financial statements (paragraph 58) • lessor payments receivable are to be disclosed with a maturity analysis on an annual basis for the first five years and a total for the remaining years (paragraph 94). <p><u>Net cash arrangements for transition to AASB 16 Leases</u></p> <p>380 - The effect on an entity's comprehensive income statement (surplus/ loss) from the transition to AASB 16 will be treated in accordance with per 'net cash' operating loss rules – in determining whether an entity has incurred an operating loss, depreciation from ROU assets will be reversed and principal repayments will be deducted from the operating result. For further information, see EM 2019-30 Implementation of AASB 16 Leases – Phase Three.</p>
<p>Part 5 – Statement of Financial Position</p>	<p>Part 4 – Statement of financial position</p>
<p><u>Receivables for statutory charges</u></p> <p>General</p>	<p><u>4.1 Receivables for statutory charges</u></p> <p>125 - Statutory charges (receivable or payable) are not financial instruments—examples of statutory charges include GST (receivable from or payable to</p>

<p>154 -. Receivables for statutory charges (such as taxes) are assessed for impairment under AASB 136 Impairment of Assets.</p> <p>155. - Receivables for statutory charges are normally assessed for impairment on an individual asset basis as they generate cash flows that are largely independent of those from other assets or groups of assets.</p> <p>156 -. In some cases, due to the number of receivables for statutory charges, it is not practicable to assess all receivables individually. Paragraph 23 of AASB 136 Impairment of Assets allows the use of estimates, averages and computational shortcuts. These approaches can be used to approximate individual assessments using a group methodology. Nonetheless, significant receivables may be assessed on an individual basis.</p> <p>157 - . Entities will need to apply the initial recognition and measurement to statutory receivables, including taxes, rates and fine as if those receivables are financial instruments under AASB 9 from 2019-20 reporting as per AASB 2016-8. However if the impact is material, initial recognition should be disclosed in 2018-19</p>	<p>the ATO), levies, rates and fines. However, the initial recognition and measurement of statutory receivables is treated as if they are financial instruments under AASB 9.</p> <p>126 - Material individual receivables should be separately assessed for impairment. When statutory receivables exhibit similar characteristics that provide information about the possible collectability of the amounts owing to the entity, they shall be grouped together and assessed collectively for impairment.</p> <p>127 - AASB 136 is relevant for impairment for statutory receivables and applies to administered assets that are not financial instruments. Estimates, averages and shortcuts may be applied under paragraph 23 of AASB 136, for determining fair value less costs of disposal or value in use. This assessment can be made on a portfolio basis where this is appropriate (eg impairment of a large portfolio of statutory receivables).</p> <p>128 - Where the statutory receivables are material, entities are encouraged to include in their accounting policy, a reference to the fact that impairment is made under AASB 136.</p>
<p><u>Valuation of Non-Financial Assets</u></p> <p>165 - Where valuation is at fair value, AASB 13 Fair Value Measurement sets out the requirements for such measurement. Each entity is responsible for arranging the appropriate valuations for assets that they control or administer on behalf of the Commonwealth, on a timely basis for inclusion in financial statements. Where an asset is subject to a restrictive lease arrangement with another Commonwealth entity, the entity that controls or administers the asset on behalf of the Commonwealth must consider an appropriate valuation for inclusion in the Australian Government's CFS.</p>	<p><u>4.2 Valuation of non-financial assets</u></p> <p>Asset recognition, valuation and depreciation</p> <p>134 - Where valuation is at fair value, AASB 13 sets out the requirements for measurement. Each entity is responsible for arranging appropriate valuations for assets they control or administer on behalf of the Commonwealth, on a timely basis for inclusion in financial statements.</p> <p>135 - Subsection 17(2) of the FRR requires Commonwealth lessees to continue to measure ROU assets at cost (not revalued to fair value) after the initial measurement.</p>
<p><u>Impairment of Non-Financial Assets</u></p> <p>Impairment process</p> <p>180. Not-for-profit entities must refer to paragraph Aus32.1 of AASB 136 Impairment of Assets in respect of non-cash generating assets whose economic benefits would be replaced if the entity was deprived of them.</p> <p>181. Impairment under AASB 136 Impairment of Assets is a two-step process that involves:</p> <ul style="list-style-type: none"> • testing assets for indications of impairment; and <p>only where indications of impairment have been established for an asset/s, performing the recoverable</p>	<p><u>4.3 Impairment of non-financial assets</u></p> <p>Impairment process</p> <p>148 - NFP entities must refer to paragraph Aus5.1 of AASB 136 for non-cash generating assets held for continuing use of their service capacity—noting that under the revaluation model in AASB 116 and AASB 138, AASB 136 does not apply to assets regularly revalued to fair value.</p>

<p>amount test and making any required adjustment for impairment loss/es.</p>	
<p><u>Heritage and Cultural Assets</u></p> <p>Definition</p> <p>186. Heritage and cultural assets are defined in Part 2 - Definitions. Heritage and cultural items do not include structures constructed to assist with the display, transport or storage of the asset.</p> <p>187. Examples of items not captured by the definition are backdrops, hanging apparatus, storage racks or protective cases, unless the item has such value in its own right or is an integral part of the heritage and cultural item.</p> <p>188. 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.</p> <p>Useful lives</p> <p>191. The AAS contemplate indefinite useful lives for some assets and non-depreciation in circumstances where assets have indefinite useful lives.</p> <p>192. In accordance with paragraph G3 of AASB 116 Property, Plant and Equipment, where appropriate curatorial and preservation policies are established and implemented, heritage and cultural assets may be deemed to have an indefinite useful life, and as such, not depreciated. Entities must ensure such policies satisfy the criteria in the Australian Implementation Guidance to AASB 116 Property, Plant and Equipment and only depreciate these assets where they are determined to have a limited life.</p> <p>Primary use of assets</p> <p>193. One example of an item subject to subsection 21(1) of the FRR is buildings of historical interest that are used primarily to provide office accommodation. These are not to be accounted for as heritage and cultural assets.</p> <p>194. 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:</p> <ul style="list-style-type: none"> • used for public exhibition, education or research; and/or • protected, cared for and preserved. <p>Curatorial and preservation policies</p>	<p><u>4.5 Heritage and cultural assets</u></p> <p>152 - Heritage and cultural assets are buildings, other structures, works of art, artefacts, collectables, historical treasures, nature reserves, national parks, or similar items that are used for their cultural, environmental or historical significance. Heritage and cultural assets will generally be:</p> <ul style="list-style-type: none"> • used for public exhibition, education or research; and/or • protected, cared for, and preserved. <p>153 - Heritage and cultural items are for the community's benefit and represent, in part, Australia's cultural and historic background. These assets are primarily used for purposes relating to their cultural, environmental or historical significance.</p> <p>154 - However, structures that assist in the display, transport or storage of items (eg backdrops, hanging apparatus, storage racks or protective cases) are not heritage and cultural items—except where it has heritage or cultural value in its own right, or is an integral part of the heritage and cultural item. For example, an asset that is an integral part of a heritage and cultural asset may be include the original frame surrounding a painting which is classified as a heritage and cultural asset.</p> <p>Useful lives</p> <p>157. The AAS contemplate indefinite useful lives for some assets and non-depreciation of these. This does not exempt the asset from impairment testing.</p> <p>158. Under paragraph G3 of AASB 116, heritage and cultural assets may be deemed to have an indefinite useful life, and as such not depreciated, where appropriate curatorial and preservation policies are established and implemented. Entities must ensure such policies satisfy the criteria in the Australian Implementation Guidance to AASB 116 and only depreciate these assets where they are determined to have a limited life.</p> <p>159 - To establish evidence that the policies have been adopted by the entity's governing body, it is critical to:</p> <ul style="list-style-type: none"> • demonstrate clear understanding on what condition an entity is seeking to maintain an asset; and

<p>195. When disclosing the information required by subsection 30(1) of the FRR, entities are not required to disclose sensitive material (e.g. information about fraud/theft prevention) if contained in the same document as curatorial or preservation policies.</p> <ul style="list-style-type: none"> 196. For the purposes of this topic, the term 'government department' referred to in the statement listing pertinent entities in Australian Implementation Guidance to AASB 116 Property, Plant and Equipment means a reporting entity as defined in the FRR. 	<ul style="list-style-type: none"> document how the policy is being followed for its condition to be maintained. <p>Primary use of assets</p> <p>160 - An example of an item subject to subsection 21(1) of the FRR is buildings of historical interest that are used primarily to provide office accommodation. These are not to be accounted for as heritage and cultural assets.</p> <p>Curatorial and preservation policies</p> <p>161 - When disclosing information required by subsection 30(1) of the FRR, entities are not required to disclose sensitive material (eg information about fraud/theft prevention) if contained in the same document as curatorial or preservation policies.</p>
<p><u>Measurement and Disclosure of Post Employment Plans</u></p> <p>PSS accumulation plan disclosures</p> <p>232 - The PSS Accumulation Plan is a defined contribution plan for both the reporting entity and the whole-of-Government.</p>	<p><u>4.10 Post-employment plans: measurement and disclosure</u></p> <p>Post-employment plans</p> <p>204 - Superannuation additional lump sum (ASL) paid by an entity to the consolidated revenue fund payments in relation to the PSS and CSS are not considered compensation under AASB 124 Related Party Disclosures and is not an individual employee benefit. Thus ASL payment should be excluded from the KMP remuneration disclosure note, this does not mean it is not an employee related expense just not specific remuneration for an employee.</p>
<p><u>GST treatment in the Statement of Financial Position</u></p> <p>258 - Receivables and payables in the Statement of Financial Position should be inclusive of GST subject to paragraph 8 and 9 of Interpretation 1031 <i>Accounting for the Goods and Services Tax</i> (GST).</p>	<p><u>4.12 GST treatment in the statement of financial position</u></p> <p>229 - Under paragraph 8 and 9 of <i>Interpretation 1031 Accounting for the Goods and Services Tax (GST)</i> (Interpretation 1031) receivables and payables should be inclusive of GST in the statement of financial position.</p> <p>230 - Commitments may be inclusive or exclusive of GST but entities must disclose the GST treatment applied. However, as commitments are potential receivables or payables, for consistency with Interpretation 1031, entities are encourage to treat commitments as inclusive of GST.</p>

<p>Part 8 - Restructures</p>	<p>Part 7 – Administrative arrangements restructures</p>
<p>Commonwealth entity ceases to exist</p> <p>321 - If a Commonwealth entity (the old entity) ceases to exist, then the accountable authority of another Commonwealth entity nominated by the Finance Minister must prepare the annual financial statements for the old entity, that the accountable authority of the old entity would have been required to prepare under the PGPA Act if the old entity had not ceased to exist.</p> <p>Transfer of a Commonwealth entity’s function(s)</p> <p>322 - If a function of a Commonwealth entity (the old entity) is transferred to one or more other Commonwealth entities, either because the old entity ceases to exist or for any other reason, then the accountable authority of a Commonwealth entity nominated by the Finance Minister in relation to that function must prepare the annual financial statements for the old entity that relate to that function that the accountable authority of the old entity would have been required to prepare under the PGPA Act if the function had not been transferred.</p>	<p>274 - For entities that are affected by the machinery of government changes, particularly in relation to the Administrative Arrangements Order made on 5 December 2019 with an effective date of 1 February 2020, see <i>Additional guidance for machinery of government financial reporting</i>.</p>
<p>Part 9 – Appropriations</p>	<p>Part 8 – Appropriations</p>
<p><u>Departmental Appropriations</u></p> <p>Formal additions or reductions - timing difference</p> <p>355. This topic determines when formal additions or reductions are recognised in the statement of comprehensive income. This may differ from the reporting period in which they are disclosed in the appropriations note.</p> <p>356. Publication of a budget measure in a PBS or entry in CBMS by itself is not sufficient authority to support an adjustment to appropriation revenue. As per subsection 40(2) of the FRR, the authority must be evidenced by specific wording in a Cabinet decision or a decision made by the Prime Minister. The adjustment is not disclosed in the appropriations note until the appropriation is legally adjusted.</p>	<p><u>8.1 Departmental appropriations</u></p> <p>Timing for formal additions or reductions</p> <p>302 - The availability of an appropriation is determined by the enactment date of the appropriation Act (ie the funds do not become legally available until this date).</p> <p>303 - Appropriations for additional outputs subject to formal approval by parliament after the end of the reporting period (under section 40 of the FRR) must not be disclosed. The adjustment would be recognised in the period in which formal approval is given.</p> <p>304 - The timing for formal additions or reductions to be recognised in the statement of comprehensive income may differ from the reporting period in which they are disclosed in the appropriations note. For example, supplementary funding is reflected as revenue from government but not reflected in the appropriation note till the financial period after.</p> <p>305 - Publication of a budget measure in Portfolio Budget Statements (PB Statements), or entry in CBMS, by itself is not sufficient authority to support an adjustment to appropriation revenue. Under subsection 40(2) of the FRR, written evidence of</p>

	<p>authority is required by way of specific wording in a decision by Cabinet or the Prime Minister.</p> <p>306 - An adjustment is not to be disclosed in an appropriations note before the appropriation is legally adjusted. Subsection 40(2) of the FRR does not legally adjust the appropriation Act:</p> <ul style="list-style-type: none"> • for a formal addition: <ul style="list-style-type: none"> ○ debit—Receivable from Government (ie not appropriation receivable as there is no appropriation) ○ credit—Revenue from Government. • when the appropriation subsequently becomes available: <ul style="list-style-type: none"> ○ debit—Appropriation receivable for amount provided in new Act ○ credit—Receivable from Government (amount of formal addition) ○ credit—Revenue from Government. <p>307 - Where the reduction is:</p> <ul style="list-style-type: none"> • supported by a section 51 withholding, follow section 51 guidance • against a future appropriation, for accounting purposes no reduction is recognised as the future year appropriations were never an asset to the entity (ie the current appropriation remains available to the entity so no adjustment is required to either revenue or appropriation receivable). <p>308 - Where an adjustment meets the recognition criteria of formal addition or reduction in revenue but, at law, the appropriation was not amended before the end of the reporting period, the amount recognised in face statements for accounting purposes will differ to the amount available under law.</p>
<p>Departmental supplementation</p> <p>360. For accounting purposes, departmental supplementation is accounted for as follows:</p> <ul style="list-style-type: none"> • recognition – the date of approval; • measurement – amounts designated as contribution by owners are recognised as equity and all other amounts are recognised as revenue from Government (supplementation) and not as appropriations revenue; and • subsequent years – appropriations in subsequent years will be recognised to the extent that they have not been previously recognised. 	<p>Departmental supplementation</p> <p>309 - For accounting purposes, departmental supplementation is accounted for as follows:</p> <ul style="list-style-type: none"> • recognition – the date of approval • measurement – amounts designated as contribution by owners are recognised as equity and all other amounts are recognised as revenue from government (supplementation) and not as annual Appropriation in the appropriation note • subsequent years – appropriations in subsequent years will be recognised, to the

<p>361. Transactions need to be appropriately evidenced before appropriations can be recognised. The minimum requirement for 'appropriate evidence' is a written Ministerial agreement.</p> <p>362. The receivable must not be taken up as 'appropriation receivable' until such time as legally available and instead is to be taken up as a 'receivable from Government'.</p>	<p>extent that they have not been previously recognised.</p> <p>310 - As a minimum, supplementation adjustments should be supported in a decision by Cabinet or the Prime Minister. The decision should include specific wording on both the timing and amounts.</p> <p>311 - The receivable must not be taken up as 'appropriation receivable' until such time as the appropriation is legally available. At the time the appropriation becomes legally available the entity should take up the appropriation receivable as per the appropriation Act, while reversing the receivable from government and reducing the revenue from government for the amount previously recognised as supplementation.</p>
<p>Part 10 – Other Disclosures</p>	<p>Part 9 – Other disclosures</p>
	<p><u>Net cash arrangements for transition to AASB 16 Leases</u></p> <p>380 - The effect on an entity's comprehensive income statement (surplus/ loss) from the transition to AASB 16 will be treated in accordance with per 'net cash' operating loss rules – in determining whether an entity has incurred an operating loss, depreciation from ROU assets will be reversed and principal repayments will be deducted from the operating result. For further information, see EM 2019-30 Implementation of AASB 16 Leases – Phase Three.</p>
<p><u>Budget implications</u></p> <p>Entities listed under the following categories:</p> <p>451 - Non-corporate Commonwealth entities with full DCB funding</p> <p>453 - Non-corporate Commonwealth entities with partial DCB funding</p> <p>454 - Corporate Commonwealth entities which receive a CDAB</p> <p>455 - Non-corporate entities which receive a CDAB</p>	<p><u>9.5 Net cash appropriation arrangements</u></p> <p>Capital budget appropriation arrangements</p> <p>385 - See <u>Appendix E: Disclosure for capital budget funding</u> for entity disclosure requirements:</p> <p>E1: Non-corporate entities with full DCB funding</p> <p>E2: Non-corporate entities with partial DCB funding</p> <p>E3: Corporate entities that are Collection Institutions and receive a CDAB</p> <p>E4: Non-corporate entities that receive a CDAB</p> <p>E5: Non-corporate entities that receive an Administered Capital Budget (ACB)</p>

Appendix C: Changes to PRIMA

Statement/Note PRIMA reference	Changes from 2019-20
Statement of Comprehensive Income	Updated 'Impairment Loss Allowance on Financial Instruments' to 'Impairment Loss on Financial Instruments' to better reflect AASB 101.82. Example variance commentary on the impact of the transition of AASB 16
Statement of Financial Position	Footnote is required to disclose the inclusion of right-of-use assets in non-financial assets as required by AASB 16.47(a)(ii)
Statement of Changes in Equity	Amended to include adjustments on initial application of AASB 16 Leases, AASB 15 and AASB 1058
Cash Flow Statement	Has been updated to reflect the additional items required under AASB 16.50 (a) & (b)
Administered Schedule of Comprehensive Income	Updated 'Impairment Loss Allowance on Financial Instruments' to 'Impairment Loss on Financial Instruments' to better reflect AASB 101.82
Administered Schedule of Assets and Liabilities	Footnote is required to disclose the inclusion of right-of-use assets in non-financial assets as required by AASB 16.47(a)(ii)
Administered Reconciliation Schedule	Amended to include adjustments on initial application of AASB 16, AASB 15 and AASB 1058
Administered Cash Flow Statement	Has been updated to reflect the additional items required under AASB 16.50 (a) & (b)
Overview	Amended to include an example text in relation to the application of AASB 16, AASB 15 and AASB 1058
Note 1.1B, 1.1D, 1.1H, 1.2E, 1.2H, 1.2I, 2.1B, 2.1F, 2.1K, 2.2H, 2.2L 3.4B, 3.2 4.2 and 4.4C and 5.4	Updated to reflect the additional disclosure requirements under AASB 16 leases and the transition from AASB 117
Note 1.1E: Impairment Loss on Financial Instruments	Updated 'Impairment Loss Allowance on Financial Instruments' to 'Impairment Loss on Financial Instruments' to better reflect AASB 101.82
Note 1.2A, 3.1B, 3.3A, 4.1C, 4.3A	Additional disclosures as required by AASB 15 in relation to the revenue from contracts with customers.
Note 1.2K, 2.2F, 2.1G, 3.2G & 3.2H	Updated disclosures as required under AASB 1058
4.1C: Reconciliation of the Impairment Allowance (Tier 1 Only)	Prior year comparative table added
Note: 3.2 Accounting Policy	Minor update to better reflect the description of fair value
Note: 7.2 & 7.3	Removal of transition disclosures from the introduction of AASB 9 from AASB 139