

Extract of AASB ACTION ALERT Related to GAAP/GFS

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AASB, Level 3, 530 Collins Street, Melbourne, Victoria 3000 Australia. PO Box 204, Collins St West, Victoria 8007
E-mail: standard@asb.com.au Web site: www.asb.com.au Telephone: [+61] (3) 9617 7600 Fax: [+61] (3) 9617 7608
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The 30th meeting of the AASB, held on 4-5 December 2002

Review of AAS 31 “Financial Reporting by Governments”

Harmonisation of AAS 31 and GFS

The Board considered issues that have been raised by a number of constituents relating to GFS financial reporting at a General Government Sector (GGS) level and at a Whole of Government (WoG) level. These issues have implications for the Board's project on the review of AAS 31 “Financial Reporting by Governments”. The AASB noted that its current role is to set accounting standards for ex-post general purpose financial reports rather than for budgets, and therefore its discussion focused on ex-post financial reports.

In relation to particular issues, the Board expressed the view that:

- a GGS financial report prepared on a partial consolidation basis is not a general purpose financial report of a reporting entity because under GAAP, consistent with the accountability objective, the boundaries of a reporting entity are determined by the notion of control;
- if a GGS partially consolidated financial report is prepared, it should make clear that it is not prepared in accordance with GAAP and that it should be read in conjunction with the WoG (fully consolidated) general purpose financial report;
- a WoG general purpose financial report should be prepared in accordance with GAAP, and therefore prepared on a fully consolidated basis. Reconciliations to GFS could be included as a note in the general purpose financial report on a sector-by-sector basis and at a WoG level;
- if GFS information is included in the WoG general purpose financial report, an explanation of the nature and basis of that GFS information should be provided. Furthermore, for general purpose financial reporting purposes, GFS information

(including GGS information) should be given a lower prominence than the GAAP WoG information; and

- in the context of general purpose financial reporting the disaggregated information disclosure note (as currently required by AAS 31) provides an appropriate vehicle by which to report sector information (including GGS information) and provides an appropriate location for the inclusion of reconciliations to GFS information.