

This Agenda Paper provides a worked example of a parent defined contribution superannuation plan's financial statements prepared in accordance with the proposals in draft ED 16X *Superannuation Plans and Approved Deposit Funds*.

Introduction

1. During its February 2009 meeting, the Board agreed that staff should ‘test’ the example financial statements in Appendix C of draft ED 16X *Superannuation Plans and Approved Deposit Funds* by populating the statements with numbers derived from the published financial statements of a defined contribution superannuation plan and prepare journal entries to explain the movements in defined contribution members’ vested benefits for the Board’s consideration.
2. The following example demonstrates how a defined contribution superannuation plan’s financial statements might be presented under the proposals in draft ED 16X. The numbers used in this example have been derived from the published financial statements of a public offer superannuation plan comprising approximately 500,000 defined contribution members. Staff have modified the numbers from the published financial statements and changed the titles of some of the accounts to disguise the plan’s identity. Journal entries explaining the movements in defined contribution members’ vested benefits are provided on page 7 of this Paper.
3. Due to a lack of detailed information regarding subsidiaries held by superannuation plans, staff have used the information provided in Illustrative Example C of Appendix C of draft ED 16X to develop these example consolidated financial statements.
4. For the purpose of this example the plan is assumed to be exposed to significant insurance risk through the insurance arrangements it offers to its members.

Staff view

Staff consider that example financial statements populated with numbers would be more useful to constituents than example financial statements that do not contain numbers. Accordingly, staff recommend that the example financial statements in this Paper form the basis of the example financial statements to be included in ED 16X.

If the Board agrees with staff’s proposal to include worked example financial statements in the ED and if the Board considers it worthwhile, staff could prepare comparative numbers for all financial statements.

**Consolidated Income Statement for XYZ Superannuation Plan
for the Year Ended 30 June 20XX**

	20XX \$000
Superannuation activities	
Interest revenue	138,152
Dividends received	386,794
Trust distributions received	282,068
Other income	5,426
Net remeasurement changes in:	
Investments measured at net fair value	2,155,339
Goodwill	(97)
Investment expenses	(55,972)
Administration expenses	(42,662)
Borrowing costs	(12)
Other operating expenses	(630)
Net income from superannuation activities	2,868,406
Insurance activities	
Insurance contract revenue	77,810
Less: Outwards reinsurance expense	(77,806)
Net premium revenue	4
Reinsurance recoveries revenues	23,219
Insurance contract expenses ¹	(23,259)
Net loss from insurance activities	(36)
Profit from operating activities	2,868,370
Less: Net benefits allocated to members' accounts ²	(2,623,343)
Profit before income tax	245,027
Income tax expense	(235,553)
Profit after income tax	9,474
Profit attributable to non-controlling interests	57
Profit attributable to members	9,417

¹ Insurance contract expense for the reporting period comprises: (a) \$22,948,000 of insurance claims received and approved during the reporting period that had not been recognised in previous reporting periods; and (b) a change in Insurance obligations during the period of \$311,000.

² Net benefits allocated to members' accounts comprises \$2,664,664,000 of net investment returns allocated to members' accounts and \$41,321,000 of administration fees charged to members' accounts.

**Consolidated Statement of Financial Position for XYZ Superannuation Plan
as at 30 June 20XX**

	20XX \$000
Assets	
Cash	195,583
Receivables	331,367
Units in unlisted cash management trusts	4,921,700
Shares in Australian listed corporations	6,819,140
Shares in overseas listed corporations	4,615,556
Australian fixed interest securities	1,884,596
Overseas fixed interest securities	3,207,386
Units in unlisted property trusts	1,269,828
Units in hedge funds	436,978
Goodwill	17
Other assets	2,120
Deferred tax assets	50,221
Total assets	23,734,492
Liabilities	
Payables	236,506
Income tax payable	121,139
Income tax payable on contributions	27,422
Deferred tax liabilities	364,903
Insurance liabilities	6,519
Borrowings	135
Total liabilities excluding members' vested benefits	756,624
Net assets available for members' vested benefits	22,977,868
Benefits allocated to members' accounts	(22,950,835)
Unallocated contributions	(4,687)
Members' vested benefits	(22,955,522)
Total net assets	22,346
Equity	
Unallocated surplus	1
Administration reserve	16,240
Investment reserve	6,004
Non-controlling interests	101
Total equity	22,346

**Consolidated Cash Flow Statement for XYZ Superannuation Plan
for the Year Ended 30 June 20XX**

	20XX \$000
Cash flow from operating activities	
Interest received	64,038
Dividends received	287,044
Trust distributions received	481,302
Other income received	3,785
Insurance premiums received	77,810
Reinsurance recoveries received	22,016
Administration expenses paid	(42,846)
Investment expenses paid	(38,094)
Reinsurance premiums paid	(77,270)
Other expenses paid	(693)
Income tax paid	(78,831)
Net cash inflows from operating activities	698,261
Cash flows from investing activities	
Proceeds from sales of units in unlisted cash management trusts	680,654
Proceeds from sales of shares in Australian listed corporations	2,803,730
Proceeds from sales of shares in overseas listed corporations	6,845,218
Proceeds from sales of overseas fixed interest securities	2,444,826
Proceeds from sales of unlisted property trusts	259,428
Purchases of units in unlisted cash management trusts	(1,285,930)
Purchases of Australian fixed interest securities	(498,898)
Purchases of shares in Australian listed corporations	(2,944,767)
Purchases of shares in overseas listed corporations	(6,159,649)
Purchases of overseas fixed interest securities	(4,101,289)
Purchases of units in unlisted property trusts	(517,326)
Purchases of units in fixed income hedge funds	(423,468)
Purchases of other assets	(201)
Net cash outflows from investing activities	(2,897,672)
Cash flows from financing activities	
Contributions received:	
Employers	2,554,872
Members	235,548
Transfers from other plans	704,162
Government co-contributions	27,746
Benefits paid	(807,070)
Income tax paid on contributions received	(382,817)
Contributions surcharge tax paid	(25,274)
Repayment of borrowings	(25)
Interest paid	(13)
Dividends paid	(5)
Net cash inflows from financing activities	2,307,124
Net increase in cash and cash equivalents	107,713
Cash at beginning of the financial period	87,870
Cash at the end of the financial period	195,583

**Consolidated Statement of Changes in Members' Vested Benefits for
XYZ Superannuation Plan for the Year Ended 30 June 20XX**

	20XX \$000
Opening balance	18,014,382
Contributions received and receivable:	
Employer	2,622,940
Member	241,812
Transfers from other superannuation plans	704,162
Government co-contributions	27,746
Income tax on contributions	(391,099)
Contributions surcharge tax	(25,274)
Net after tax contributions received and receivable	3,180,287
Less:	
Benefits paid and payable	(811,432)
Insurance premiums charged to members' accounts	(77,810)
Transfers from members' accounts to Administration reserve	(1,341)
Add:	
Net benefits allocated to members' accounts	2,623,343
Allocations to members' accounts from Investment reserve	4,213
Death and disability benefits credited to members' accounts ³	23,880
Closing balance	22,955,522

³ Death and disability benefits credited to members' accounts comprise: (a) \$22,948,000 of insurance claims received and approved during the reporting period that had not been recognised in previous reporting periods; and (b) \$932,000 of insurance claims received and approved during the reporting period that had been recognised during previous reporting periods. Accordingly, this amount was transferred from Insurance obligations to Benefits allocated to members' accounts during the reporting period.

Journal entries

Note: The following journal entries summarise the transactions and events that would have occurred over the reporting period in relation to members' vested benefits.

Dr.	Cash/Contributions receivable	\$3,596,660,000	
	Cr. Benefits allocated to members		\$3,194,835,000
	Cr. Unallocated contributions		\$10,726,000
	Cr. Contributions tax payable		\$391,099,000
Dr.	Unallocated contributions	\$6,291,000	
	Cr. Benefits allocated to members		\$6,291,000
Dr.	Benefits allocated to members	\$25,274,000	
	Cr. Cash		\$25,274,000
	For payment of contributions surcharge tax		
Dr.	Investment income allocated to members (P&L)	\$2,718,962,000	
	Cr. Investment fees charged to Members' accounts (P&L)		\$54,298,000
	Cr. Administration fees charged to members' accounts (P&L)		\$41,321,000
	Cr. Benefits allocated to members		\$2,623,343,000
Dr.	Investment reserve	\$4,213,000	
	Cr. Benefits allocated to members		\$4,213,000

\$4,213,000 is the difference between \$5,886,000 of investment income that had been recognised in the previous reporting period and allocated to members' accounts during the current period and \$1,673,000 (\$54,298,000 - \$55,972,000) in undercharged investment fees.

Dr.	Benefits allocated to members	\$1,341,000	
	Cr. Administration reserve		\$1,341,000

Actual administration expenses incurred during the reporting period were \$42,662,000. Accordingly, members were undercharged \$1,341,000 in administration fees during the period and this was transferred from members' accounts to the Administration reserve during the period.

Dr.	Insurance liabilities	\$23,880,000	
	Cr. Benefits allocated to members		\$23,880,000

To recognise change in benefits allocated to members due to death and disability claims during the reporting period.

Dr.	Benefits allocated to members	\$811,432,000	
	Cr. Benefits payable		\$811,432,000

Dr.	Benefits allocated to members	\$77,810,000	
	Cr. Insurance contract revenue		\$77,810,000

**Consolidated Statement of Changes in Equity for
XYZ Superannuation Plan for the Year Ended 30 June 20XX**

	Unallocated surplus	Administration reserve	Investment reserve	Non- controlling interests	Total equity
Opening balance	0	12,370	3,330	49	15,749
Profit for the period	9,417	–	–	57	9,474
Dividends paid				(5)	(5)
Transfers to/from reserves	(9,416)	2,529	6,887		–
Transfers from members' accounts	–	1,341	–		1,341
Transfers to members' accounts	–	–	(4,213)		(4,213)
Closing balance	1	16,240	6,004	101	22,346