

**FOR CONSIDERATION BY THE AASB AT ITS 28 JUNE 2007 MEETING  
AGENDA PAPER 2.2**

**Staff Note on the Draft Illustrative Example to Accompany ED 155**

**Introduction**

The Preface to ED 155 *Financial Reporting by Whole of Governments* states:

“To provide constituents with a timely opportunity to comment on the principles proposed to be included in a GAAP/GFS harmonised Standard for whole of governments, this Exposure Draft is being issued without an illustrative example. Illustrative Example A “Illustration of an Acceptable Format and Content of Financial Statements, Reconciliation Notes, Explanations of Key Technical Terms, Functional Information and Sector Information” will be issued for public comment once it is finalised.”

A draft of the Illustrative Example A relating to ED 155 is provided in agenda paper 2.3, ready for the Board’s approval.

The purpose of this paper is to assist the Board in its review of agenda paper 2.3.

**Approach taken by staff in developing the example**

Assumptions have been made when developing the Illustrative Example. Many have been made in the interest of simplicity, noting that the primary purpose of the example is to illustrate an acceptable format for the financial statements and selected notes, rather than reflect ‘real numbers’ (although our starting point was to work from the Commonwealth Government’s numbers). Another pervasive aspect of the draft illustration is that assumptions have been made for consistency with the approach the Board took in developing ED 155, which was to minimise differences from AASB 1049 *Financial Reporting of General Government Sectors by Governments*. Accordingly, wherever possible, we have tried to avoid changing the numbers, descriptions and explanations reflected in AASB 1049’s Illustrative Example.

The assumptions made in agenda paper 2.3 include the following:

1. The Illustrative Example has been prepared on the basis of ED 155 issued in May 2007.
2. Whereas Illustrative Example A in AASB 1049 is broadly based on the GGS of the Australian Government at the time it held a majority interest in Telstra, the draft Illustrative Example to ED 155 is framed on the basis that this relationship no longer exists. The financial statements for both the GGS and the PNFC sector in agenda paper 2.3 are designed to broadly reflect this changed environment. For simplicity, we have not attempted to reflect the real sale of Telstra in the Illustrative Example. We have backed out Telstra from the AASB 1049 numbers by reducing the GGS ‘investments in other sector entities’ and increasing ‘machinery and equipment’ by \$15,500m, thereby maintaining ‘net worth’ at a positive \$550m. We have avoided making a judgement about the Government’s actual remaining interest in Telstra.
3. Because we have based the whole of government Illustrative Example on the AASB 1049 example, after adjusting for Telstra, we have been constrained by some of the assumptions made in the AASB 1049 example. For instance, explanatory note h in AASB 1049 assumes a \$90m convergence difference relating to ‘PNFC/PFC sector change in net assets’ and explanatory note m

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- assumes a \$900m convergence difference relating to 'GGS equity investment in other sectors measured at net assets'.
4. In order to assist readers of the Illustrative Example to see how the intersector eliminations have been derived, for simplicity, efforts have been made to have matching eliminations between the relevant sectors wherever possible, in the operating statement, balance sheet and cash flow statements.
  5. For several key items where eliminations are illustrated, a simplifying assumption has been made that the cash flows match the accrual amounts. This means that for some items the amounts reflected in the operating statement are mirrored in the cash flow statement.
  6. For simplicity, it is assumed that intra-group income tax collections are included as income tax equivalents, within the line item 'dividends and income tax equivalents from other sector entities' rather than 'taxation revenue'. Also for simplicity, we have assumed that there are no non-income tax intra-group taxes such as GST, excise duty, customs duty, competitive neutrality payments, payroll tax and land tax.
  7. All intersector grants are assumed to be current grants rather than capital grants. Their treatment conforms with paragraph 9(f) of ED 155, where it is indicated that in accordance with paragraphs 41(b)(i) and 42 of ED 155, information about the PNFC and PFC sectors is prepared in a manner consistent with the accounting policies adopted in the whole of government report. Therefore, the options in AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* are not adopted and instead the principles in AASB 1004 *Contributions* are applied to government grants received by PNFC and PFC sector entities.
  8. As regards the 'Net Gain on equity investments in other sector entities measured at proportional share of net assets/(liabilities)', the elimination affects the Accumulated surplus/(deficit) in the balance sheet. This is on the basis that AASB 139 *Financial Instruments: Recognition and Measurement* requires available for sale gains to be recognised in equity but does not specify any particular equity account.
  9. In relation to the measurement of financial assets at fair value, it has been assumed, for simplicity, that the counterparties apply the same accounting treatment to measure the asset/liability. That is, both the GGS and the PNFC and PFC sectors measure their respective counterpart asset or liability using the same basis.
  10. In order to illustrate the re-routing convergence difference that arises because of the GFS treatment of certain intersector transactions (involving notional transactions through the household sector) it has been assumed that a component of the social benefits line item represents compensation from the GGS to the PNFC and PFC sectors for a community service obligation, imposed by the GGS, that requires the particular PNFC and PFC sector entities to provide free services to a cohort of private individuals.
  11. The treatment of currency on issue and the disparate treatment for notes and coins remains to be resolved. It would appear that it is possible coins on issue

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should be shown as giving rise to a convergence difference for the GGS and whole of government. For simplicity (and consistency with AASB 1049), this issue has been ignored in agenda paper 2.3 by assuming that, for the government in question, the only currency in circulation is notes.

12. For simplicity, it is assumed that while an entity within the PFC sector performs the functions of the central banker for the government, that entity does not also perform the function as a transaction banker for the entities within the GGS. [If the PFC entity were the transaction banker for the GGS, then it is expected there would be eliminations relating to “deposits received” and “deposits paid”.] It should also be noted that the cash flows for the PFC sector entity that transacts with the GGS sector are presented on a gross basis, for consistent presentation across sectors, despite AASB 107 *Cash Flow Statements* contemplating that certain cash flows may be presented on a net basis.
13. In order to illustrate the convergence difference arising from deferred tax balances that arise under AASB 112 *Income Taxes*, it has been assumed, for simplicity, that within the PNFC sector, an entity has recorded an increase in its deferred tax liability as a result of an asset revaluation of its properties. Other potential deferred tax balances have not been considered in this example.
14. In comparison with the example in AASB 1049, the Convergence Difference Reconciliation Notes have been expanded to illustrate the impacts within each sector of the various convergence differences. Some impact not only on the sectors, but also the whole of government amounts, while those that relate to the dividends or investments between the GGS and the other two sectors, are eliminated on consolidation. The accompanying explanatory notes have been amended from those in AASB 1049 where necessary, to cater for these changes and additional differences such as those relating to the re-routing convergence difference and the treatment of deferred tax balances.
15. A number of consequential amendments to the Illustrative Example A in AASB 1049 have been made to the ‘Key Technical Terms’ section of the Illustrative Example to reflect the fact it is now relating to whole of government (incorporating sector information) rather than simply the GGS.

A draft Illustrative Example to accompany ED 155 was circulated to a panel of HOTARAC GFS/GAAP Harmonisation Working Group members and the AASB Public Sector Sub-committee members on 29 May 2007 for comment to AASB staff by 13 June 2007. Subsequently, the draft was sent to all HOTARAC Working Group members for comment also by 13 June 2007, with responses to be collated by the Department of Finance.

We received a number of comments. Some of the comments have been reflected in agenda paper 2.3. However, a number of the comments received (listed in Appendix A to this paper) have not been reflected in the draft illustration, to avoid deviating from AASB 1049’s illustration. Despite this, staff believe that there is merit in some of the suggestions. Accordingly, we recommend issuing the illustration as provided in agenda paper 2.3 with a view to making ‘improvements’ at the time ED 155 is converted into an (integrated) Standard.

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**APPENDIX A: Staff response to comments from interested parties on an earlier draft illustration**

**General Matters**

	<b>Concern</b>	<b>Comment</b>	<b>AASB staff response</b>
1	It would have been useful to provide comparatives.	We recognise the work involved in doing this. In the absence of comparatives, clarification on whether they are required for the Statements by Sector and Notes S1, S2 and S3 would be useful.	<b>No change</b> , consistent with the illustration in AASB 1049. AASB 101 <i>Presentation of Financial Statements</i> specifies principles for comparatives. It is therefore not necessary to explicitly address the requirements for comparatives in the Illustrative Example to ED 155.
2	Extensive use of GFS/ABS terminology, format and classification throughout the financial statements.	Definitions of these GFS terms could be included in the definition section of the Standard.	<b>No change</b> , consistent with the illustration in AASB 1049. Note Y includes definitions of 'selected key technical terms used in the whole of government financial report', which include a number of GFS/ABS terms.
3	Use of terminology: distributions (Cash Flow) and dividends (Operating Statement) may confuse users.	Is there a better way to explain these movements consistently across statements? 'Distribution' in GFS terminology refers to tax equivalents and dividends. Accordingly, using the terminology 'Distributions paid' in the Cash Flows from Financing Activities section could be confusing/misleading. We suggest renaming this line item to 'Withdrawal by owners or Equity withdrawal' might be less ambiguous.	<b>No change for now</b> . The terminology used is consistent with the illustration in AASB 1049. Consideration should be given to clarifying the terminology or making it more consistent at the time ED 155 is being turned into an (integrated) Standard.
4	Use of "owners" terminology introduced into ED 155 whereas it was removed from AASB 1049. The Operating Statement by sector uses this terminology whereas the whole of government Operating Statement and the GGS Operating Statement (in AASB 1049) do not. The Operating Statement by sector has the heading "Other economic flows - Other movements in equity", whereas the ED 155 eg. para 24 refers to "other non-owner movements in equity".	Consistency of terminology between ED 155 and AASB 1049 is advisable.	Agenda paper 2.3 now consistently refers to 'owners'.  Aligning terminology between AASB 1049 and ED 155, where appropriate, will occur in the process of preparing an integrated Standard.
5	Include a transaction to illustrate the GAAP/GFS differential treatment with an owner as an owner.	This would clarify the treatment that is adopted.	<b>No change</b> . Dividends from PNFC/PFC to GGS are illustrated. In relation to transactions with minority interests, it is appropriate for ED 155 to contemplate that such transactions may arise. However, it is not appropriate/necessary to illustrate such transactions because they do not presently

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	<b>Concern</b>	<b>Comment</b>	<b>AASB staff response</b>
			arise in practice.
6	'Dividends paid' will be a reconciling item disclosed in the Disaggregated Reconciliation to GFS Net Operating Balance for many jurisdictions.	The need for reconciliations in many cases would be removed if the current Tasmanian treatment were adopted, where the GFS Disaggregated Income Statement includes 'Income Tax Equivalents' and 'Dividends' under Operating Surplus.	<b>No change</b> – per paragraph 15 of ED 155, which states “Amounts of transactions with owners as owners are disclosed in the notes or a separate statement rather than on the face of the operating statement.” The Tasmanian practice referred to is under AAS 31 where requirements relating to disaggregated information are less prescriptive.
7	Disclosing convergence differences in the elimination on consolidation column that neither cause a difference in measurement of key fiscal aggregates nor are included in key reconciliation notes is not recommended. Users who need this information would be better served by utilising ABS publications.	This information will be at best an estimate because at the time of preparing the Statements, jurisdictions will not be in a position to know the final GFS numbers finalised by the ABS.	<b>No change.</b> The illustration is consistent with paragraph 41(c) of ED 155 (which requires a reconciliation between the information disclosed for the sectors and the corresponding information in the government’s financial statements). The illustration does not show any ‘intersector eliminations’ that do not cause a difference in measurement of key fiscal aggregates or are not shown in key reconciliation notes.  The more general concern raised about GPFRs being published prior to ABS finalising its numbers, and therefore the risk that ABS publishes different numbers from the numbers published in the GPFR, is a general issue pertinent to the principles in ED 155 (and indeed AASB 1049). Therefore, it should not/cannot be addressed through the illustration alone.
8	There is no structure to the list of convergence differences.	Breakdown convergence differences into classification, measurement/ valuation would be useful.	<b>No change.</b> The order of the list is consistent with the illustration in AASB 1049, and generally follows the order of the financial statements.
9	Not clear what the distributions transaction relates to in explanatory note (g) and (i), and why GFS treats the transaction as withdrawal of equity as opposed to dividend revenue under GAAP.	More explanation could be provided (eg. sale of major assets, return on capital versus return of capital)	<b>No change for now</b> , as it is consistent with the illustration in AASB 1049. Consideration should be given to clarifying the illustrated scenario at the time ED 155 is being turned into an (integrated) Standard, by noting that the GFS withdrawal of equity/GAAP dividend scenario arises from the differential treatment of a distribution of proceeds from sale of assets.
10	Note (f) is intended to explain the convergence differences for the net acquisition of non-financial assets. The inclusion of the tables from the perspective of providing information on how this item is derived is supported. However the tables do not ‘explain’ the convergence differences.	The note should also include a short narrative component similar to Note i to explain the convergence differences.	<b>No change for now</b> , as it is consistent with the illustration in AASB 1049. Consideration should be given to providing further explanations at the time ED 155 is being turned into an (integrated) Standard.  We note that the differences can be traced back to the differences shown in note S1, combined with the amount shown for 'amortisation of non-produced assets' in the operating statement, and that these differences are explained in other notes.
11	Note S1 includes the arithmetic differences for the gross fixed capital formation but not the full difference	Is this an oversight or is there some other explanation?	See item 10 above. <b>No change for now</b> , as it is consistent with the illustration in AASB 1049. Consideration should be given to providing further explanations at the time ED 155 is being turned into an (integrated)

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	<b>Concern</b>	<b>Comment</b>	<b>AASB staff response</b>
	for depreciation across the three sectors.		Standard, by explaining that the GAAP amounts relating to depreciation include 'amortisation of non-produced assets', which is excluded from the GFS depreciation amount.
12	The second paragraph under note i does not refer to a difference in the bases of measurement.	It should include a reference to the difference in the bases of measurement.	<b>No change.</b> None of the convergence differences illustrated arise from measurement differences, and therefore a reference to a difference in the bases of measurement would be inappropriate.
13	Name of entity in the title of the financial statements.	The entity name at the head of each page could be "ABC Government" rather than "Whole of Government of the ABC Government".	<b>No change,</b> as it is consistent with the illustration in AASB 1049. 'ABC Government' is ambiguous re GGS vs WoG.
14	A budget column should not be included in the illustrative example.	Most jurisdictions do not present a whole-of-government budget to parliament.	<b>No change.</b> The Illustrative Example does not include a budget column.
15	Reconciliation notes.	A reference could be included that all of the GFS/GAAP reconciliation notes can be provided after all other note disclosures provided with the statements (or possibly as an appendix to the notes).	<b>No change,</b> as it is consistent with the illustration in AASB 1049. The introductory comments to the illustration make it clear that "The style and format illustrated are not mandatory. Other styles and formats may be equally appropriate so long as they meet the requirements of the Standard."
16	The name of the line item 'Net gain on equity investment in other sector entities measured at proportional share of net assets/(liabilities)'.	It should be changed to something along the lines of 'Revaluation of PNFC/PFC'. The measurement basis is more appropriate as an accounting policy note disclosure.	<b>No change for now,</b> as it is consistent with the illustration in AASB 1049. Consideration should be given to providing a simpler line item description at the time ED 155 is being turned into an (integrated) Standard.

**Balance Sheet – WOG**

	<b>Concern</b>	<b>Comment</b>	<b>AASB staff response</b>
17	'Unfunded superannuation liability' doesn't need to refer to 'liability'.	Could be shortened to 'Unfunded Superannuation' since it is under the heading of liabilities.	<b>No change for now,</b> as it is consistent with the illustration in AASB 1049. Consideration should be given to dropping the word 'liability' at the time ED 155 is being turned into an (integrated) Standard.
18	Are 'Other liabilities' (to include unearned revenue) included in GFS under Provisions or Accounts payable?	More explanation could be provided.	<b>No change,</b> consistent with the illustration in AASB 1049. For simplicity, it can be assumed that there are no 'other liabilities' (unearned revenue). We note that page 190 of the ABS GFS Manual classifies 'prepayments received' as 'accounts payable'.
19	Suitability of financial asset v non-financial asset split.	Consider whether assets presented in order of liquidity would be more meaningful than the financial asset v non-financial asset split in the example.	<b>No change.</b> The financial asset v non-financial asset split is appropriate for the GGS from both a GAAP and GFS perspective (per the illustration in AASB 1049). It is therefore appropriate for the whole of government or PNFC/PFC sectors from a GAAP and GFS perspective. Paragraph 46 of ED 155 contemplates a columnar presentation of GGS, PNFC, PFC and whole of government information, which implies that a consistent financial asset v non-financial asset split would be adopted for each sector and the whole of government.
20	The meaning of the liability item 'Securities	We suggest that a comment/footnote on what this	<b>No change.</b> Note Y in the illustration defines 'securities other than shares'.

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	<b>Concern</b>	<b>Comment</b>	<b>AASB staff response</b>
	other than shares'.	line item represents for the 'non-expert' user would be useful.	
21	The suitability of dissecting Non-Financial Assets into Produced and non-Produced.	This presents practical difficulties as the information is not collected in this form that may result in non-compliance with the suggested disclosure. (I know they are illustrative examples only, and agencies are free to depart from this part of the presentation, but why insert something that may not be followed by all jurisdictions?)	<b>No change</b> , as it is consistent with the illustration in AASB 1049. The dissection is necessary to satisfy the ABS GFS Manual.
22	Inadequate detail in Note t Classification Difference included in the GFS Net Worth.	It would be useful to include reference to the specific provisions that have been materially affected.	<b>No change</b> , as it is consistent with the illustration in AASB 1049. The Explanatory Notes supporting the illustration do not purport to satisfy the 'explanation of the differences' requirements in paragraph 41(b)(ii)B of ED 155.

**Operating Statement - WOG**

	<b>Concern</b>	<b>Comment</b>	<b>AASB staff response</b>
23	Include an additional "Transactions with Owners as Owners" line item on the face of the Operating Statement to reconcile the full movement in (non GFS) Net Worth.	This would be consistent with the purposes of the current Statement of Changes in Equity under AASB 101 Para 97(a) and provide the user with a single point of reference to review all such movements.	<b>No change</b> – per paragraph 15 of ED 155, which states "Amounts of transactions with owners as owners are disclosed in the notes or a separate statement rather than on the face of the operating statement."
24	Inconsistent terminology used throughout the illustrative example, e.g. "Employee Expenses" in Operating Statement and "Compensation of Employees" in Cash Flow Statement.	Apply consistent terminology, provide commentary where not possible.  'Compensation of employees' - we suggest that the name should be changed to 'Employee costs' or similar as the word 'compensation' denotes some sort of ex gratia payment for damages.	<b>No change for now</b> , as it is consistent with the illustration in AASB 1049. Consideration should be given to aligning/amending terminology at the time ED 155 is being turned into an (integrated) Standard.
25	Other expenses – superannuation <b>net</b> interest expenses: unsure if this includes the off-setting actuarial-determined expected return on plan assets or if this component of superannuation is included under Employee expenses – superannuation?	If the former, then we suggest the word 'net' be included in the item description. If not, then we suggest a change of description so that the off-set is included at this line. There has been some discussion at the last Uniform Presentation Framework (UPF) Committee meeting as to whether or not the term 'superannuation interest' includes only the gross interest expense or also includes the expected return on plan assets.	<b>No change for now</b> , as it is consistent with the illustration in AASB 1049. Consideration should be given to using clearer terminology at the time ED 155 is being turned into an (integrated) Standard. Staff note that in developing the example, we assumed that the line item 'superannuation interest expenses' is net of expected return on plan assets (paragraphs 61 and 119 of AASB 119 <i>Employee Benefits</i> ).
26	'Superannuation interest expense' is an inappropriate	Should be renamed "Unfunded superannuation nominal interest expense". Adding	<b>No change for now</b> , see item 25 immediately above.

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	<b>Concern</b>	<b>Comment</b>	<b>AASB staff response</b>
	description.	"unfunded" makes it clear we are talking about the expense on the net liability (rather than the gross) and also makes it clear it is the expense associated with the "unfunded superannuation" liability shown on the balance sheet. "Nominal" needs to be included as the amount is not an actual interest expense - the amount is actually the unwinding of the discount on the PV of the benefits, minus a long term assumed earnings rate on the assets, neither of which is "interest" in a literal sense.	
27	The line NET RESULT FROM TRANSACTIONS - NET OPERATING BALANCE is potentially confusing.	While it was included in AASB 1049, the line description may be less confusing to readers of the financial statements if the NET OPERATING BALANCE was removed.	<b>No change for now</b> , as it is consistent with the illustration in AASB 1049. Consideration should be given to using clearer terminology at the time ED 155 is being turned into an (integrated) Standard.
28	Clarification of basis for KEY FISCAL AGGREGATES	Should include on the face of the operating statement that the KEY FISCAL AGGREGATES are GAAP numbers (and therefore not the GFS numbers)	<b>No change</b> , as it is consistent with the illustration in AASB 1049. Associated notes to the illustrative financial statements make it clear that key fiscal aggregates on the face of the financial statements are GAAP numbers.
29	The suitability of sub-headings 'Other Revenue' and 'Other Expenses'.	These are not needed. If anything, showing these sub-headings could be confusing as it will lead to a line item of Other Revenue/Expenses under the Other Revenue/Expenses heading.	<b>No change for now</b> , as it is consistent with the illustration in AASB 1049. Consideration should be given to removing the sub-headings at the time ED 155 is being turned into an (integrated) Standard.

**Cash Flow Statement - WOG**

	<b>Concern</b>	<b>Comment</b>	<b>AASB staff response</b>
30	Do 'Employer payments to superannuation funds' form part of 'Compensation of employees'? This can include substantial amounts to pay down the unfunded superannuation.	Superannuation could be a separate line given its variability and significance.	<b>No change</b> , as it is consistent with the illustration in AASB 1049. This illustrated style of presentation would not prevent a more detailed presentation in practice.
31	'Increases in investments' is an inappropriate description.	The complementary item to 'Sales of investments' should be 'Purchases ..... ' rather than 'Increases'.	<b>No change for now</b> , as it is consistent with the illustration in AASB 1049. Consideration should be given to using complementary terminology at the time ED 155 is being turned into an (integrated) Standard.
32	Suitability of the split of financial assets between those for POLICY PURPOSES and those for LIQUIDITY MANAGEMENT PURPOSES?	Is it meaningful in a WoG context?	<b>No change</b> . The split between policy purposes and liquidity management purposes is appropriate for the GGS from both a GAAP and GFS perspective (per the illustration in AASB 1049). It is therefore appropriate for the whole of government and PNFC/PFC sectors from a GAAP and GFS

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	<b>Concern</b>	<b>Comment</b>	<b>AASB staff response</b>
			perspective. We note that paragraph 46 of ED 155 contemplates a columnar presentation of GGS, PNFC, PFC and whole of government information, which implies that a consistent split between policy purposes and liquidity management purposes would be adopted for each sector and the whole of government.
33	Cash flows in the Liquidity Management and Financing Activities sections are shown using the gross method.	As the disaggregation under the gross method is often estimated, we suggest to use the net method. This would result in more robust and arguably more meaningful numbers.	<b>No change</b> , as it is consistent with the illustration in AASB 1049. It is also consistent with paragraph 21 of AASB 107, which generally requires gross reporting of cash flows.

***Balance Sheet – by sector (not identified under WoG above)***

	<b>Concern</b>	<b>Comment</b>	<b>AASB staff response</b>
34	The liability described as 'Deferred tax liability' has been included for illustrative purposes.	Perhaps a footnote could be included to indicate that sectors other than the GGS could equally recognise a 'Future/deferred tax benefit (asset)' and that the same treatment should apply to a tax asset in the reconciliation notes as has been shown for the liability.	<b>No change</b> . The introductory notes to the illustration make it clear that "The illustration does not purport to identify all possible differences between GAAP and GFS, nor to present on the face of the financial statements all the line items as might be required by a different set of assumptions. The numbers used are based on assumptions made for illustrative purposes only."
35	The net worth of GGS is not the same as the net worth of the whole of government.	Logically the two should be equal. The reason is that the deferred tax asset of \$560 has not been recognised in the GG B/S to match the DITL in the PNFC sector. To me, it reinforces why the DTA should be recognised in the GGS.	<b>No change</b> , per Board decision in March 2007. In March the Board considered the question of whether the GGS should recognise deferred tax balances to mirror the deferred tax balances of PNFC/PFC sectors.  The Board concluded that, in accordance with AASB 1049, consistent with the principles in AASB 1004, the GGS should not recognise deferred tax balances to the extent the tax-equivalent events associated with the PNFC/PFC deferred tax balances have not occurred. From a PNFC/PFC viewpoint, the event is the recognition of the underlying assets/liabilities, but for GGS it is the occurrence of taxable transactions.

***Operating Statement – by sector (not identified under WoG above)***

	<b>Concern</b>	<b>Comment</b>	<b>AASB staff response</b>
36	Taxation revenue, realistically, will have an elimination amount (payroll tax included in the wages expense line of PNFC/PFCs or alternatively 'other expenses').	Preference is to illustrate a simple elimination against taxation.	<b>No change</b> . Consistent with the illustration in AASB 1049, the illustration in agenda paper 2.3 is of a central government rather than a state government. Accordingly, intragroup payroll tax is not illustrated.  The illustration could be amended to illustrate another kind of intra-group tax (eg customs excise). However, for simplicity, this has not been done. The illustration does not purport to illustrate all possible intra-group transactions. See note/assumption 6 in the body of this paper

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	<b>Concern</b>	<b>Comment</b>	<b>AASB staff response</b>
37	We suggest that 'dividends and income tax equivalents' be split into two lines.	It is considered to be better disclosure for these items to be listed individually.	<b>No change</b> , consistent with the illustration in AASB 1049. This illustrated style of presentation would not prevent a split presentation in practice.
38	Suggest adding to end of 'Operating Statement ... by Sector' another section disclosing the Dividends and Equity Injections/ (Withdrawals) to arrive at a Total Change in Net Worth.	This would complete the table and would then be consistent with the disclosure/terminology used in the WoG Operating Statement. Further, the Intersector Eliminations would be reduced to zero - a logical end.	<b>No change</b> . See items 4 and 6 above.

***Cash Flow Statement – by sector (not identified under WoG above)***

	<b>Concern</b>	<b>Comment</b>	<b>AASB staff response</b>
39	Should Para 45 of ED 155 imply that if the non-financial public sector were to be included as sector information, the elimination column would need to be split to reflect the two sets of eliminations.	Confirmation required.	<b>No change</b> . The illustration is of the GGS, PNFC sector, PFC sector and WoG only. It is not necessary for the Illustrative Example to comment on disclosures about other possible sectors.
40	There are no Advances in the Balance sheet and yet they appear in the cash flow.	This is confusing. We suggest they be shown on the balance sheet.	<b>No change for now</b> , as it is consistent with the illustration in AASB 1049. For consistency with the balance sheet, consideration should be given to removing the 'advances received' and 'advances paid' from the cash flow statement of the GGS at the time ED 155 is being turned into an (integrated) Standard. In the meantime, no advances are shown for the PNFC/PFC sectors.