Department of Treasury and Finance

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Mr Bruce Porter
Acting Chairman
Australian Accounting Standards Board
PO Box 204
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Dear Mr Perter

GAAP-GFS HARMONISATION AT ENTITY LEVEL - ILLUSTRATIVE EXAMPLE

I refer to discussions between the Australian Accounting Standards Board's Technical Staff and members of HoTARAC, at which it was agreed that HoTARAC would develop an Illustrative Example of Financial Statements prepared to meet the requirements of Exposure Draft 174 Amendments to Australian Accounting Standards to facilitate GAAP-GFS Harmonisation for Entities within the General Government Sector. The purpose of the Example is to enhance the quality of debate about the Exposure Draft.

Following initial development work undertaken by Victorian Treasury, HoTARAC has completed the Illustrative Example, refer Attachment 1. The Example comprises face statements only. Notes to the financial statements would be appended in the usual format.

The statements in the Example use terminology particular to the individual jurisdictions preferences, from which the examples were developed. This is consistent with AASB 101 *Presentation of Financial Statements*, which allows flexible use of terminology. A number of jurisdictions have indicated that they would prefer alternative terminology. Consequently, the key focus of discussion about the Illustrative Example should not be on the terminology used, but on the format and content of the statements.

In developing the Illustrative Example and in preliminary consideration of ED 174, HoTARAC identified four issues which it believes require further consideration by the AASB:

 AASB 101 presently requires the Net Result from Discontinued Operations to be shown as a single line item in the Operating Statement. However, the proposed amendments to AASB 101 to facilitate GAAP-GFS Harmonisation require amounts to be split between transactions and other economic flows. These two requirements are incompatible;

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- HoTARAC considers that the Exposure Draft makes it potentially impossible to prepare a net cost of services format statement if the net cost of services is defined to include all items in the statement, or transactions and those comprehensive income items included in GAAP profit and loss. This is because, under the Exposure Draft, transactions are required to be separated from other economic flows and shown together. However, in a net cost of services format, appropriations to the entity would potentially be shown near the foot of the statement after economic flows and separated from other transactions. The AASB should consider minor amendments to the Exposure Draft to allow for the presentation of a more meaningful net cost of services format;
- The AASB should explicitly agree that additional information may be presented on the face of the financial statements to assist in achieving consistency with the consolidated statements presented under AASB 1049 Whole of Government and General Government Sector Financial Reporting, to the extent that it is not directly in conflict with other provisions of the standard(s); and
- The AASB should consider whether the notes to the financial statements should contain any explicit reference to GAAP-GFS Harmonisation as relevant to the basis of preparation (similar to AASB 1049 requirements), or whether such a statement would be left to jurisdictions. There is no requirement presently in the Exposure Draft.

Additional issues may be identified as HoTARAC proceeds to develop formal comments on ED 174.

Yours sincerely

D W Challen

CHAIR

HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE

3/ March 2009

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Contact: Phone: Our Ref: David Tadd 03 6233 2515 D/14423 DT/TG

Illustrative Example – GAAP-GFS Harmonisation at Entity Level

AASB 101.10(b)

Department of Technology Comprehensive Operating Statement for the Financial Year Ended 30 June 2009

		Notes	2009	2008
			\$'000	\$'000
	Continuing operations			
AASB 101.82(a)	Income from transactions			
AASB 1004.18(a), 63(a)	Output appropriations		107 621	108 682
AASB 1004.18(a), 63(a)	Special appropriations		8 976	12 107
AASB 118.35(b)(iii)	Interest	4(a)	1 962	1 089
AASB 118.35(b)(i)	Sales of goods and services	4(b)	2 113	1 426
	Grants	4(c)		
AASB 1004.18(a)	Fair value of assets and services received free of charge or for nominal consideration	4(d)		****
AASB 101.85	Other income	4(e)	776	829
	Total Income from transactions		121 448	124 133
AASB 101.99	Expenses from transactions			
AASB 101.85	Employee benefits	5(a)	(4 930)	(11 655)
AASB 101.85	Depreciation and amortisation	5(b)	(18 347)	(19 536)
AASB 101.82(b)	Interest expense	5(c)	(75)	(54)
AASB 101.85	Grants and other transfers	5(d)	(77 515)	(83 288)
AASB 101.82(b)	Capital asset charge		(1 202)	(378)
AASB 101.85	Other operating expenses (a)	5(e)	(16 891)	(7 201)
	Total Expenses from transactions		(118 960)	(122 112)
AASB 1049,32	Net result from transactions (net operating balance)		2 488	2 021
AASB 101.85-86	Other economic flows - Included in net result			
AASB 101.98(c)				
	Net gain/(loss) on non-financial assets (b)	6(a)	(204)	****
	Net actuarial gains/(losses) of superannuation defined benefit plans [for DTF only]	28		
	Share of net profits/(losses) of associates and joint venture entities, excluding dividends	18		
	Net gain/(loss) on financial instruments and statutory			
	receivables/payables (c)	6(b)	6	67
	Other gains/(losses) from other economic flows	6(d)		
	Total Other economic flows - Included in net result		(198)	67
	Net result from continuing operations		2 290	2 088
AASB 5.33(a)	Net result from discontinued operations	10	1 891	993
AASB 101.82(f)	Net result		4 181	3 081
	Other economic flows - other non-owner changes in equity			
	Changes in physical asset revaluation reserve	35		1 822
AASB 7.20(a)(ii)	Financial assets available-for-sale reserve:	35		
	 Gain/(loss) taken to equity 		2 552	1 955
	 Transferred to profit or loss for the period 			(2 552)
	Other [describe]			`
	Total Other economic flows – Other non-owner changes in equity	***************************************	2 552	1 225
	Comprehensive Result		6 733	4 306

[The above references to AASB 101 refer to the September 2007 version of this standard]

The above Comprehensive Operating Statement should be read in conjunction with the accompanying notes included on pages XX to YY.

Note:

- (a) [Other operating expenses include bad debts from transactions refer to definition of "transactions" in Note 44]
- (b) [Net gain/(loss) on non-financial assets include unrealised and realised gains/(losses) from revaluations, impairments, and disposals of all physical assets and intangible assets, except when these are taken through the asset revaluation reserve]
- (c) [Net gain/(loss) on financial instruments include bad and doubtful debts from other economic flows, unrealised and realised gains/(losses) from revaluations, impairments and reversals of impairment, and disposals of financial instruments, except when these are taken through the financial assets available-for-sale reserve]

[The use of brackets to reflect outgoings in the financial columns of the comprehensive operating statement is consistent with the Model Report of prior years. However, this can be viewed as optional in the Department's presentation.]

AASB 101.10(a)

Department of Technology Balance Sheet as at 30 June 2009

		Notes	2009	2008
			\$'000	\$'000
	Assets			
AASB 101.58(a)	Financial assets			
AASB 101.54(i)	Cash and deposits	34(a)	19 927	15 559
AASB 101.54(h)	Receivables	11	25 074	17 589
AASB 101.54(j)	Financial assets classified as held for sale including disposal group assets	17, 10	4 132	
AASB 101.54(d)	Other financial assets	12	18 640	16 088
AASB 101.54(e)	Investments accounted for using the equity method	18		-
	Total Financial assets		67 773	49 236
AASB 101.58(a)	Non-financial assets			
AASB 101.54(g)	Inventories	14	31 544	30 361
AASB 101.54(j)	Non-financial assets classified as held for sale, including disposal group assets	17, 10	17 064	••••
AASB 101.54(a)	Property, plant and equipment	16	111 215	134 466
AASB 101.54(f)	Biological assets	13		
AASB 101.54(b)	Investment properties	20	136	132
AASB 101.54(c)	Intangible assets	21	9 739	14 473
	Other	15	2 608	1 028
	Total Non-financial assets		172 306	180 460
	Total Assets		240 079	229 696
AASB 101.58(a)	Liabilities			
AASB 101.54(k)	Payables	25	11 451	15 956
AASB 101.54(p)	Liabilities directly associated with assets classified as held for sale	17, 10	3 684	••••
AASB 101.54(m)	Interest bearing liabilities	26	21 063	19 788
AASB 101.54(I)	Provisions	27	5 714	5 573
	Other			
	Total Liabilities		41 912	41 317
	Net Assets		198 167	188 379
	Equity			
	Accumulated surplus/(deficit)		143 260	139 079
AASB 101.54(r)	Reserves	35	3 180	628
AASB 101.54(r)	Contributed capital		51 727	48 672
	Total Equity		198 167	188 379
	Commitments for expenditure	31		
	Contingent liabilities and contingent assets	32		
[The above references	<u> </u>	- S - CO-		

to AASB 101 refer to the September 2007 version of this standard

The above Balance Sheet should be read in conjunction with the accompanying notes included on pages XX to YY.

Department of Technology Cash Flow Statement for the Financial Year Ended 30 June 2009

		Notes	2009	2008
			\$'000	\$'000
AASB 107.10	Cash flows from operating activities			
	Receipts			
	Receipts from Government		110 292	106 911
	Receipts from other entities		2 434	1 971
	Goods and Services Tax recovered from the ATO		2 281	1 566
AASB 107.31	Interest received		1 962	1 089
AASB 107.31	Dividends received		623	703
	Other receipts		18	14
	Total Receipts		117 610	112 254
	Payments			
	Payments of Grants and other transfers		(77 515)	(83 288)
AASB 107.14 (c), (d)	Payments to suppliers and employees		(26 235)	(24 298)
(// (/	Goods and Services Tax paid to the ATO		(1 981)	(1 216)
	Capital asset charge		(1 202)	(3 820)
AASB 107.31	Interest and other costs of finance paid		(75)	(54)
	Other payments		V.97	(04)
	Total Payments		(107 008)	(112 676)
	Net cash flows from/(used in) operating activities	33(h)	10 602	(422)
AASB 107.10	Cash flows from investing activities	33(H)	10 502	(422)
70,00 107.10	Non-financial assets			
AASB 107.16(a)	Payments for non-financial assets		(23 163)	(12 835)
AASB 107.16(b)	Proceeds from sale of non-financial assets		(23 103) 22 107	,
77700 107.10(0)	**************************************			27 353
	Net cash flows from investments in non-financial assets		(1 056)	14 518
A A C D 407 46/a)	Financial assets (policy purposes)		(0.400)	(0.000)
AASB 107.16(c)	Payments for investment		(9 133)	(9 828)
	Net cash flows from investments in financial assets (policy purposes)		(9 133)	(9 828)
	Financial assets (liquidity management purposes)			
AASB 107.16(d)	Proceeds from sale of investment		6 701	6 582
AASB 107.39	Proceeds from sale of businesses	33(c)	6 866	0 002
	Net cash flows from investments in financial assets (liquidity		13 567	6 582
	management purposes)		1000/	0 002
	Net cash flows from/(used in) investing activities		3 378	11 272
AASB 107.10	Cash flows from financing activities			
	Owner contributions by State Government		3 145	2 875
AASB 107.17(e)	Repayment of finance leases		(30)	
AASB 107.17(c)	Proceeds from interest bearing liabilities		1 350	1 296
AASB 107.17(d)	Repayment of interest bearing liabilities		(14 077)	(12 654)
(4)	Net cash flows from/(used in) financing activities		(9 612)	(8 483)
	Net increase/ (decrease) in cash and cash equivalents		4 368	2 367
	Cash and cash equivalents at the beginning of the financial year		15 559	13 192
AASB 107.28	[Effects of exchange rate changes on cash and cash			10 102
	equivalents held in foreign currencies]			••••
	Cash and cash equivalents at the end of the financial year	33(a)	19 927	15 559
	The state of the s	(~)		

The above Cash Flow Sheet should be read in conjunction with the accompanying notes included on pages XX to YY.

Department of Technology	
Statement of Changes in Equity for the Financial Year Ended 30 Ju	ne 2009

	Notes	Equity at 1 July 2008	Total Comprehensive Result	Transactions with owners in their capacity as owners	Equity at 30 June 2009
		\$'000	\$'000	\$'000	\$'000
Accumulated surplus/(deficit)		139 079	4 181	-	143 260
Adjustment due to change in accounting policy Dividends paid [date] [PFCs/PNFCs only]					***
		139 079	4 181	****	143 260
Contributions by owners		48 672			48 672
Capital appropriations			****	2 044	2 044
Withdrawal of equity					
Administrative restructure – net assets received	9			55 951	55 951
Administrative restructure – net assets				(5.4.0.40)	
transferred	9	48 672	****	(54 940)	(54 940)
	O.F.	1 225		3 055	51 727
Physical asset revaluation reserve	35 35		2 552	****	1 225 1 955
Financial assets available-for-sale reserve	30	(597)		****	1 900
Adjustment due to change in accounting policy		628	2 552	****	3 180
Other (decay)					3 100
Other [describe]		188 379	6 733	3 055	198 167
Total equity at end of financial year		100 07 0	0.100	0 000	100 101
	Notes	Equity at 1 July 2007	Total Comprehensive Result	Transactions with owners in their capacity as owners	Equity at 30 June 2008
		\$'000	\$'000	\$'000	\$'000
Accumulated surplus/(deficit)		135 401	3 081	****	138 482
Adjustment due to change in accounting policy			597	••••	597
Dividends paid [date] [PFCs/PNFCs only]			****	••••	
		135 401	3 678	****	139 079
Contributions by owners		48 672			48 672
Capital appropriations					,
Withdrawal of equity		••••			
Administrative restructure – net assets received	9				
Administrative restructure – net assets	0				
transferred	9	40.070	,		
	25	48 672	4 005		48 672
Physical asset revaluation reserve	35	****	1 225	••••	1 225
Financial assets available-for-sale reserve	35		(1 195)	••••	(1 195)
Adjustment due to change in accounting policy			598 628	,,,,	598 628
		***	020		020
Other [describe]		184 073	4 306		188 379
Total equity at end of financial year		104 0/3	÷ 500	••••	100 3/3
Effects of correction of error in 2007-08 financial year	8				