

Department of Treasury and Finance

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Mr Bruce Porter
Acting Chairman
Australian Accounting Standards Board
PO Box 204
Collins St West
MELBOURNE Vic 8007

Dear Mr Porter

**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;

- 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

31 March 2009

Encl

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				
Financial assets				
AASB 101.58(a)				
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
Non-financial assets				
AASB 101.58(a)				
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
Liabilities				
AASB 101.58(a)				
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(l)	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 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 \$'000	2008 \$'000
AASB 107.10		Cash flows from operating activities	
		Receipts	
		110 292	106 911
		2 434	1 971
		2 281	1 566
AASB 107.31		1 962	1 089
AASB 107.31		623	703
		18	14
		117 610	112 254
		Payments	
		(77 515)	(83 288)
AASB 107.14 (c), (d)		(26 235)	(24 298)
		(1 981)	(1 216)
		(1 202)	(3 820)
AASB 107.31		(75)	(54)
	
		(107 008)	(112 676)
		10 602	(422)
		Cash flows from investing activities	
		<i>Non-financial assets</i>	
AASB 107.16(a)		(23 163)	(12 835)
AASB 107.16(b)		22 107	27 353
		(1 056)	14 518
		<i>Financial assets (policy purposes)</i>	
AASB 107.16(c)		(9 133)	(9 828)
		(9 133)	(9 828)
		<i>Financial assets (liquidity management purposes)</i>	
AASB 107.16(d)		6 701	6 582
AASB 107.39		6 866	....
		13 567	6 582
		3 378	11 272
		Cash flows from financing activities	
		3 145	2 875
AASB 107.17(e)		(30)	....
AASB 107.17(c)		1 350	1 296
AASB 107.17(d)		(14 077)	(12 654)
		(9 612)	(8 483)
		4 368	2 367
		15 559	13 192
AASB 107.28	
		19 927	15 559

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 June 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 <i>[date]</i> <i>[PFCs/PNFCs only]</i>		....	....	....	....
		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 transferred	9	....	....	(54 940)	(54 940)
		48 672	....	3 055	51 727
Physical asset revaluation reserve	35	1 225	....	....	1 225
Financial assets available-for-sale reserve	35	(597)	2 552	....	1 955
Adjustment due to change in accounting policy		....	....	....	....
		628	2 552	....	3 180
Other <i>[describe]</i>		....	....	....	....
Total equity at end of financial year		188 379	6 733	3 055	198 167

	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 <i>[date]</i> <i>[PFCs/PNFCs only]</i>		....	....	....	....
		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 transferred	9	....	....	....	....
		48 672	....	....	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	....	598
		....	628	....	628
Other <i>[describe]</i>		....	....	....	....
Total equity at end of financial year		184 073	4 306	188 379

Effects of correction of error in 2007-08 financial year

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