

AASB 1050 Administered Items vs. IFRS for SMEs

1. Executive Summary

Main differences in recognition, measurement or presentation requirements

There is no section in the *IFRS for SMEs* that corresponds to AASB 1050. AASB 1050 is a disclosure only Standard and therefore differences in recognition, measurement or presentation requirements do not arise.

Differences in disclosure requirements

AASB 1050 only applies to government departments that have administered items. It is not the purpose of this project to fundamentally review the requirements of AASB 1050. It is a topic that is expected to be addressed as part of the Board's separate Defining the Reporting Entity in the Public Sector (including consideration of the concept of control) project.

Disclosure proposals

It is proposed to;

- exclude paragraphs 7(a)(ii) & (b)(ii) and 8 from the Reduced Disclosure Regime (RDR); and
- exclude the reference to 'and by activity' in paragraph 14 from the RDR.

This proposal has regard to the expectation that:

- (a) government departments need to collect and provide information about administered items for the purpose of preparation of consolidated financial statements at the general government sector (GGS) and whole of government (WoG) levels, and therefore the additional costs of providing that same information in general purpose financial statements is minimal; and
- (b) the level of interest by users in information about administered items and the level and complexity of disclosures under AASB 1050 would vary directly with the size and complexity of government departments that have administered items.

2. Analysis of disclosure requirements

| | Text in AASB 1050 <i>Administered Items</i> | Comment |
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| 7 | <p>A government department shall disclose the following in its complete set of financial statements in relation to activities administered by the government department:</p> <p>(a) administered income, showing separately:</p> <p style="padding-left: 20px;">(i) each major class of income; and</p> <p style="padding-left: 20px;">(ii) in respect of each major class of income, the amounts reliably attributable to each of the government department’s activities and the amounts not attributable to activities;</p> <p>(b) administered expenses, showing separately:</p> <p style="padding-left: 20px;">(i) each major class of expense; and</p> <p style="padding-left: 20px;">(ii) in respect of each major class of expense, the amounts reliably attributable to each of the government department’s activities and the amounts not attributable to activities;</p> <p>(c) administered assets, showing separately each major class of asset; and</p> <p>(d) administered liabilities, showing separately each major class of liability.</p> | <p>In the context of paragraph IN10 and consistent with paragraph IN6(f) of this Appendix, paragraphs 7(a)(i), 7b)(i), 7(c) and 7(d) should be retained in the RDR. Administered items are often significant for a government department that has responsibility for such items, and information about them needs to be provided by a government department for the purpose of preparing consolidated financial statements of the GGS and WoG.</p> <p>Paragraph 7(a)(ii) and 7(b)(ii) should be excluded from the RDR, consistent with the reasoning in paragraph IN3 of this Appendix and consistent with the requirements proposed to be excluded from AASB 1052 <i>Disaggregated Disclosures</i> (paragraphs 11(b)(i) and 11(b)(ii)) that relate to analogous circumstances.</p> |
| 8 | <p>AASB 1052 specifies requirements for the disclosure of income and expenses attributable to a government department’s activities. The principles in that Standard are applied in disclosing administered income and expenses reliably attributable to activities in accordance with paragraphs 7(a)(ii) and 7(b)(ii) of this Standard.</p> | <p>Paragraph 8 should be excluded from the RDR, consistent with the proposal on paragraphs 7(a)(ii) and 7(b)(ii).</p> |
| 9 | <p>A government department’s operating statement only recognises income and expenses of the government department. Similarly, a government department’s statement of financial position only recognises assets that the government department controls and liabilities that involve a future sacrifice of the government department’s assets.</p> | <p>Paragraphs 9 and 10 should be retained in the RDR, consistent with paragraph IN7 of this Appendix – they provide helpful guidance on the consequences of the distinction between administered and controlled items.</p> |
| 10 | <p>Items recognised in the statement of financial position include the assets and liabilities of the trusts that the government department controls and from whose activities the government department obtains benefits.</p> | |

| Text in AASB 1050 <i>Administered Items</i> | Comment |
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| <p>11 The responsibilities of a government department may encompass the levying or collection of taxes, fines and fees, the provision of goods and services at a charge to recipients, and the transfer of funds to eligible beneficiaries. These activities may give rise to income and expenses that are not attributable to the government department. This occurs, for example, where the government department is unable to use for its own purposes the proceeds of user charges, taxes, fines and fees it collects without further authorisation, or where the transfer of funds to eligible beneficiaries does not involve a reduction in the assets recognised in the government department’s statement of financial position. In addition, the government department may manage government assets in the capacity of an agent and may incur liabilities that, for example, while involving a future disbursement from the Consolidated Revenue Fund or other Fund will not involve a sacrifice of the assets that the government department controls as at the end of the reporting period. This administered income and these administered expenses, assets and liabilities are not recognised in the government department’s operating statement or statement of financial position.</p> <p>12 A government department’s ability to control all, or a portion of, the proceeds of the user charges, fines and fees it levies may be subject to complex arrangements. Consistent with those arrangements, where a government department does not control any of the proceeds of the user charges, fines and fees that it levies, it does not recognise any of the proceeds of those user charges, fines and fees as income. Similarly, where, as a result of automatic appropriations or other authority, a government department controls some but not all of the proceeds of user charges, fines and fees, the department recognises as income only those amounts that it controls.</p> <p>13 If taxes, fines, fees and other amounts that are not controlled by a government department were to be recognised as assets or income by the collecting government department, users could incorrectly assume that these amounts were available for the government department’s use.</p> | <p>Paragraphs 11 to 13 should be retained in the RDR, consistent with paragraph IN7 of this Appendix – they provide helpful guidance for understanding the nature of administered items.</p> |
| <p>14 The tax revenues, user charges, fines and fees administered by a government department and the amount of funds transferred to eligible beneficiaries are an important indicator of the government department’s performance in achieving its objectives. Therefore, paragraph 7 requires disclosure of income and expenses administered by a government department that are not recognised in the government department’s operating statement. Disclosure of this information by major class and by activity facilitates an assessment of activity costs and cost recoveries, and is therefore relevant to parliamentary decision making and enhances the discharge of accountability</p> | <p>With the exception of the references to ‘and by activity’ in the third sentence, the content of paragraph 14 should be retained in the RDR, consistent with paragraph IN7 of this Appendix – it provides a rationale for the requirements.</p> <p>The reference to ‘and by activity’, consistent with the proposal on paragraph 7(a)(ii) and 7(b)(ii), should be excluded from paragraph 14 in the RDR.</p> |

| Text in AASB 1050 <i>Administered Items</i> | Comment |
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| <p>obligations. Even though a government department does not control such items, the effective and efficient administration of these items is an important role of the government department.</p> | |
| <p>15 It is unlikely that taxes, for example, income tax, will qualify as income of the agency responsible for their collection, for example, the Australian Taxation Office, or the central agency responsible for management of the Consolidated Revenue Fund, Trust Fund or other Fund, for example, Treasury. This is because the agency responsible for collecting taxes does not normally control the future economic benefits embodied in tax collections. Similarly, Treasury may be responsible for bank accounts into which tax collections are deposited, but until parliament has ‘appropriated funds’ for Treasury use or authorised the Treasury to make payments, the Treasury will not control those tax revenues.</p> <p>16 Parliamentary appropriations made to enable the tax collection agency to perform its services are income of that agency. This is because the agency has the authority to deploy the appropriated funds for the achievement of its objectives and, consequently, controls the assets arising from the appropriation.</p> | <p>Paragraphs 15 and 16 should be retained in the RDR, consistent with paragraph IN7 of this Appendix – they provide further explanation of the nature of administered items, particularly in the context of taxes.</p> |

| Text in AASB 1050 <i>Administered Items</i> | Comment |
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| <p>17 A government department does not recognise as income and expenses those amounts that the government department is responsible for transferring to eligible beneficiaries, consistent with legislation or other authority, but that the government department does not control. If these amounts were recognised as income on receipt by the government department and as expenses on payment by the government department, users could incorrectly assume that the government department controlled these amounts. Nevertheless, this Standard requires such amounts to be disclosed in the complete set of financial statements because that information may be relevant for understanding the government department’s financial performance, including assessments of accountability. Even though a government department does not control such items, their effective and efficient administration is an important role of the government department.</p> | <p>Paragraph 17 to 21 should be retained in the RDR, consistent with paragraph IN7 of this Appendix – they provide useful guidance in relation to transfer payments.</p> |
| <p>18 Consistent with a government department’s objectives and with legislation or other authority, amounts appropriated to government departments may include amounts to be transferred to third parties or recoupment of such amounts previously transferred by the government department. Such transfers may encompass payments for unemployment benefits, family allowances, age and invalid pensions, disaster relief, and grants and subsidies made to other governments or to other government or private sector entities.</p> | |
| <p>19 Whether a government department recognises the amounts appropriated for transfer during the reporting period as income, and the amounts transferred during that reporting period as expenses, depends on whether the government department controls the assets to be transferred, and whether the amounts subsequently transferred constitute a reduction in the net assets of the government department.</p> | |
| <p>20 Where amounts are transferred to eligible beneficiaries and the identity of the beneficiaries and the amounts to be transferred to them are determined by reference to legislation or other authority, it is unlikely that the government department controls the funds to be transferred. The government department is merely the agent responsible for the administration of the transfer process. As such, the government department does not benefit from the assets held for transfer, nor does it have the capacity to deny or regulate the access of eligible beneficiaries to the assets. Accordingly, the government department does not recognise assets and income in respect of amounts appropriated for transfer, nor expenses in respect of the amounts subsequently transferred.</p> | |
| <p>21 Although transfers not controlled by a government department do not qualify for recognition in the financial statements, information about their nature and amount is</p> | |

| Text in AASB 1050 <i>Administered Items</i> | Comment |
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| <p>relevant for understanding the government department’s financial performance.</p> | |
| <p>22 Details of the broad categories of recipients and the amounts transferred to those recipients shall be disclosed in the government department’s complete set of financial statements.</p> | <p>Paragraph 22 should be retained in the RDR, consistent with element (f) in paragraph IN6 of this Appendix. – it provides useful information for users about transfer payments.</p> |
| <p>23 In some cases it may not be clear whether the government department controls amounts to be transferred to eligible beneficiaries. For example, amounts may be appropriated to a government department for subsequent transfer, but the government department can exercise significant discretion in determining the amount or timing of payment, the</p> | <p>Paragraph 23 should be retained in the RDR, consistent with paragraph IN7 of this Appendix – it provides useful guidance on applying the Standard.</p> |

| Text in AASB 1050 <i>Administered Items</i> | | Comment |
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| | identity of beneficiaries and the conditions under which the payments are to be made. In such cases, preparers and auditors use their judgement in deciding whether the government department controls the amounts to be transferred. | |
| 24 | To facilitate the assessment of the costs incurred and the cost recoveries generated as a result of the government department’s activities, administered income, expenses, assets and liabilities are reported on the same basis adopted for the recognition of the elements of the financial statements. | Paragraph 24 should be retained, consistent with paragraph IN7 of this Appendix – it requires consistency between amounts disclosed as administered with recognised amounts. |
| 25 | The manner in which administered transactions are displayed in the financial statements of a government department will depend on the administrative arrangements adopted by the controlling government, and may therefore vary from jurisdiction to jurisdiction. For example, in some jurisdictions it may be appropriate for administered transactions to be displayed as a separate schedule to the operating statement and/or the statement of financial position. In other jurisdictions, a government department’s accountability for administered transactions may mean that it is appropriate for administered transactions to be displayed with, but clearly distinguishable from, the government department’s operating statement and/or statement of financial position. | Paragraph 25 should be retained, consistent with paragraph IN7 of this Appendix – it provides for the use of professional judgement and consideration of user needs in determining how best to display information about administered items. |

3. AASB 1050 Administered Items: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 1050 *Administered Items*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure of Administered Income, Expenses, Assets and Liabilities

7 A government department shall disclose the following in its complete set of financial statements in relation to activities administered by the government department:

(a) administered income, showing separately:

(i) each major class of income; and

(ii) in respect of each major class of income, the amounts reliably attributable to each of the government department's activities and the amounts not attributable to activities;

(b) administered expenses, showing separately:

(i) each major class of expense; and

(ii) in respect of each major class of expense, the amounts reliably attributable to each of the government department's activities and the amounts not attributable to activities;

(c) administered assets, showing separately each major class of asset; and

(d) administered liabilities, showing separately each major class of liability.

8 AASB 1052 specifies requirements for the disclosure of income and expenses attributable to a government department's activities. The principles in that Standard are applied in disclosing administered income and expenses reliably attributable to activities in accordance with paragraphs 7(a)(ii) and 7(b)(ii) of this Standard.

14 The tax revenues, user charges, fines and fees administered by a government department and the amount of funds transferred to eligible beneficiaries are an important indicator of the government department's performance in achieving its objectives. Therefore, paragraph 7 requires disclosure of income and expenses administered by a government department that are not recognised in the government department's operating statement. Disclosure of this information by major class and by activity facilitates an assessment of activity costs and cost recoveries, and is therefore relevant to parliamentary decision making and enhances the discharge of accountability obligations. Even though a government department does not control such items, the effective and efficient administration of these items is an important role of the government department.

Transfer Payments

17 A government department does not recognise as income and expenses those amounts that the government department is responsible for transferring to eligible beneficiaries, consistent with legislation or other authority, but that the government department does not control. If these amounts were recognised as income on receipt by the government department and as expenses on payment by the government department, users could incorrectly assume that the government department controlled these amounts. Nevertheless, this Standard requires such amounts to be disclosed in the complete set of financial statements because that information may be relevant for understanding the

government department's financial performance, including assessments of accountability. Even though a government department does not control such items, their effective and efficient administration is an important role of the government department.

- 22 Details of the broad categories of recipients and the amounts transferred to those recipients shall be disclosed in the government department's complete set of financial statements.**