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Proposed Amendments to AASB 1049 for Consistency with AASB 101

Prepared by the
Australian Accounting Standards Board



Australian Government

**Australian Accounting
Standards Board**

Commenting on this Exposure Draft

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All non-confidential submissions to the AASB will be made available to the public on the AASB website: www.aasb.gov.au.

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[Draft] Australian Accounting Standard AASB 2008-X *Amendments to AASB 1049 for Consistency with AASB 101* is set out in paragraphs 1-40. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. AASB 2008-X is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation and Application of Standards*, which identifies the Australian Accounting Interpretations. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

PREFACE

Background

Australian Accounting Standards

The Australian Accounting Standards Board (AASB) makes Australian Accounting Standards to be applied by:

- (a) entities required by the *Corporations Act 2001* to prepare financial reports;
- (b) governments in preparing financial statements for the whole of government and the General Government Sector (GGS); and
- (c) entities in the private or public for-profit or not-for-profit sectors that are reporting entities or that prepare general purpose financial statements.

Australian Accounting Standards incorporate International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB), with the addition of paragraphs on the applicability of the Standard in the Australian environment.

Australian Accounting Standards also include requirements that are specific to Australian entities. These requirements may be located in Australian Accounting Standards that incorporate IFRSs or in other Australian Accounting Standards. In most instances, these requirements are either restricted to the not-for-profit or public sectors or include additional disclosures that address domestic, regulatory or other issues.

Exposure Drafts

The publication of an Exposure Draft is an essential part of the due process that the AASB follows before making a new or amending an existing Australian Accounting Standard. Exposure Drafts are designed to seek public comment on the AASB's proposals for new Australian Accounting Standards or amendments to existing Australian Accounting Standards.

Reasons for Issuing this Exposure Draft

AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, issued in October 2007, is applicable to annual reporting periods beginning on or after 1 July 2008, with early adoption allowed. It was drafted to be consistent with the version of AASB 101

Presentation of Financial Statements that is applicable to annual reporting periods beginning on or after 1 January 2008 but before 1 January 2009. It is now necessary (as foreshadowed in footnote 1 of AASB 1049 (October 2007)) to amend AASB 1049 to be consistent with the revised AASB 101 (September 2007) that is applicable to annual reporting periods beginning on or after 1 January 2009, with early adoption allowed. Amending AASB 1049 to align with revised AASB 101 is consistent with the general approach taken in the AASB's Generally Accepted Accounting Principles/Government Finance Statistics (GAAP/GFS) Harmonisation project that the principles in applicable Australian Accounting Standards should be adopted unless it is otherwise necessary to specify requirements to accommodate GFS. Relevant consequential changes arising from AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* have also been incorporated in the revisions to AASB 1049.

The primary reason for issuing this Exposure Draft is to provide interested parties with an opportunity to comment on the way the Board proposes to amend AASB 1049 to reflect revised AASB 101, with a particular emphasis on the proposed requirement for a statement of changes in equity.

Main Features of this Exposure Draft

This Exposure Draft proposes amending AASB 1049 and the accompanying Illustrative Examples, where appropriate, to reflect the revised AASB 101, including the requirement for a whole of government and GGS statement of changes in equity. In addition, it clarifies that the whole of government operating statement disclosures referred to in paragraph 41(b)(iii) of AASB 1049 relate to the sector statements that are disclosed by the whole of government. It also clarifies that the budget information disclosure requirements in paragraph 59 of AASB 1049 only relate to the budgeted financial statement(s) that were initially presented to parliament.

The most substantive potential impact on AASB 1049 of revised AASB 101 relates to the statement of changes in equity. Under AASB 1049 a separate statement of changes in equity is not required. AASB 1049 contemplates information that would otherwise be presented in a statement of changes in equity that is not presented in the operating statement being presented in the notes or a separate statement. Consistent with revised AASB 101, this Exposure Draft proposes that information would be presented in a separate statement of changes in equity.

Revised AASB 101 also has potential implications for terminology used throughout AASB 1049. For example, AASB 101 now uses the financial statement titles 'statement of financial position', 'statement of comprehensive income' and 'statement of cash flows'. In contrast AASB 1049 uses the financial statement titles 'balance sheet', 'operating statement' and 'cash

flow statement'. This Exposure Draft proposes changing the financial statement titles in AASB 1049 to be consistent with AASB 101.

Application Date

Consistent with the operative date of revised AASB 101, it is proposed that this Standard be applicable to annual reporting periods beginning on or after 1 January 2009 with early adoption permitted for annual reporting periods beginning on or after 1 January 2005.

GAAP/GFS Implications

Although the Australian Bureau of Statistics (ABS) GFS Manual does not contemplate a statement of changes in equity, similar information relating to changes in GFS net worth are reflected in the GFS statement of stocks and flows. Because the proposals in this Exposure Draft only affect the presentation of information, they would not create GAAP/GFS convergence differences.

Request for Comments

Comments are invited on any of the proposals in this Exposure Draft by 1 August 2008. The AASB would prefer that respondents express a clear overall opinion on whether the proposals, as a whole, are supported and that this opinion be supplemented by detailed comments, whether supportive or critical on the major issues. The AASB regards supportive and critical comments as essential to a balanced review of the issues and will consider all submissions, whether they address all specific matters, additional issues or only one issue.

Specific Matters for Comment

The AASB would particularly value comments on whether:

- (a) the manner in which the AASB proposes to amend AASB 1049 and the accompanying Illustrative Examples is appropriate;
- (b) the requirement for whole of government and GGS statements of changes in equity to be prepared with the proposed content is appropriate;
- (c) it is appropriate not to specify transitional requirements (thus leaving changed accounting policies to be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*);

- (d) overall, the proposals would result in financial statements that would be useful to users; and
- (e) the proposals are in the best interest of the Australian economy.

ACCOUNTING STANDARD AASB 2008-X

AMENDMENTS TO AASB 1049 FOR CONSISTENCY WITH AASB 101

Objective

- 1 The objective of this Standard is to make amendments to Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (October 2007) and the accompanying Illustrative Examples, primarily as a consequence of the issuance of revised AASB 101 *Presentation of Financial Statements* in September 2007.

Application

- 2 **This Standard applies to each government's whole of government general purpose financial statements and General Government Sector (GGS) financial statements.**
- 3 **This Standard applies to annual reporting periods beginning on or after 1 January 2009.**
- 4 **This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but beginning before 1 January 2009. When an entity applies this Standard to an annual reporting period beginning before 1 January 2009 it shall disclose that fact.**

Amendments to AASB 1049

- 5 In AASB 1049 and the accompanying Illustrative Examples the following references are amended as described below, unless otherwise stated in this Standard:
 - (a) 'financial report(s)' is amended to 'financial statements', except that:
 - (i) in the first sentence of paragraph 1 '*whole of government financial reports*' is changed to '*whole of government general purpose financial statements*';
 - (ii) in paragraph 11(c) 'financial reports' is not changed;

- (b) 'balance sheet(s)' is amended to 'statement(s) of financial position' except in the third sentence of paragraph 15;
 - (c) 'operating statement(s)' is amended to 'statement(s) of comprehensive income';
 - (d) 'cash flow statement(s)' is amended to 'statement(s) of cash flows' except in paragraphs 14(e) (second sentence) and 14(f);
 - (e) 'on the face(s) of' is amended to 'in'. Where the phrase 'on the face' occurs without the word 'of', the phrase is deleted. Similarly, where the phrase 'The face of' occurs on its own, without the word 'on' preceding it, the phrase is deleted;
 - (f) 'movements in equity' is amended to 'changes in equity'; and
 - (g) 'transactions with owners as owners' is amended to 'transactions with owners in their capacity as owners'.
- 6 Paragraphs 3 to 6 are amended to read as follows:
- 3 This Standard applies to annual reporting periods beginning on or after 1 January 2009.**
 - 4 This Standard may be applied to annual reporting periods beginning before 1 January 2009.**
 - 5 The requirements specified in this Standard apply where information resulting from their application is material in accordance with AASB 1031 *Materiality*.**
 - 6 When applicable, this Standard supersedes AASB 1049 *Financial Reporting of General Government Sectors by Governments* (October 2007).
- 7 Paragraph 7 is amended to read as follows:
- 7 A government shall prepare the whole of government financial statements and the GGS financial statements in accordance with the requirements of this Standard.**
- 8 Paragraph 10 is amended to read as follows:
- 10 With limited significant exceptions, this Standard requires the definition, recognition, measurement, classification, consolidation, presentation and disclosure requirements specified in other applicable Australian Accounting Standards

to be adopted. This Standard only requires a different treatment from another applicable Australian Accounting Standard when the requirements of this Standard directly conflict with the requirements of that other Standard. In particular, in relation to the GGS, in conflict with AASB 127 *Consolidated and Separate Financial Statements*, paragraph 19 prohibits the consolidation of controlled entities in other sectors.

- 9 Paragraph 12 is amended to read as follows:
- 12 Paragraph Aus15.4 of AASB 101 *Presentation of Financial Statements* applies to the whole of government. It does not apply to the GGS. Accordingly, the GGS is not required to disclose that its financial statements are general purpose financial statements or special purpose financial statements.
- 10 Paragraphs 14(c), 14(e) and 14(g) are amended to read as follows:
- 14 Examples of particular optional treatments in Australian Accounting Standards that paragraph 13 of this Standard has the effect of limiting, include:
- ...
- (c) actuarial gains and losses relating to defined benefit superannuation plans that may be recognised in full through operating result (which is part of comprehensive result), recognised in full through other non-owner changes in equity (which is also part of comprehensive result), or partially deferred using a 'corridor approach' under AASB 119 *Employee Benefits*. For the purpose of this Standard, the option to partially defer using a 'corridor approach' is not available because it is not acceptable under the ABS GFS Manual. The other two options are available.
- ...
- (e) cash flows from operating activities that may be reported using either the direct method or the indirect method in the statement of cash flows under AASB 107 *Statement of Cash Flows*. ...
- ...

- (g) ... In accordance with paragraphs 52(b)(i) and 53 of this Standard, information about the PNFC sector and PFC sector disclosed by the whole of government is prepared in a manner consistent with the accounting policies adopted in the whole of government statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows. Therefore, the options in AASB 120 are not adopted and instead the principles in AASB 1004 *Contributions* are applied.

11 Paragraph 15 is amended to read as follows:

- 15 ... Those ABS GFS Manual principles and rules are required to be applied in the presentation of the whole of government statement of financial position and the GGS statement of financial position to the extent that they do not conflict with AASB 101.

12 Paragraphs 16 and 17 are amended to read as follows:

16 Subject to paragraphs 41(a)(i)A and 52(b)(ii)A of this Standard, key fiscal aggregates that are disclosed by the whole of government or the GGS, either because they are required by this Standard or a government elects to provide additional information, shall be measured in a manner that is consistent with amounts recognised in the corresponding statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows.

17 This Standard requires certain information that is relevant to an assessment of the macro-economic impact of:

- (a) a whole of government and GGS to be included in the statements of financial position, statements of comprehensive income and statements of cash flows (see paragraphs 28, 32 and 37); and
- (b) a government's sectors to be included in the sector statements of financial position, statements of comprehensive income and statements of cash flows required to be disclosed by the whole of government by paragraph 52(b)(i).

This Standard requires the information to be determined in a manner consistent with other amounts recognised in the

statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows. Corresponding amounts, determined in accordance with the ABS GFS Manual, are required to be disclosed in the notes where they differ from the amounts presented in the statement of financial position, statement of comprehensive income and statement of cash flows (see paragraphs 41(a)(i)A and 52(b)(ii)A).

- 13 Paragraph 19 is amended to read as follows:
 - 19 A government shall present GGS financial statements in which it consolidates only entities that are within the GGS, using the consolidation procedures specified in AASB 127.**
- 14 Paragraph 20 is amended to read as follows:
 - 20 A GGS equity investment in a government controlled entity that is within the PNFC sector and PFC sector shall be recognised as an asset in the GGS statement of financial position. ...**
- 15 Paragraph 23(a) is amended to read as follows:
 - 23 For the purposes of determining the carrying amount of net assets of entities within the PNFC sector and PFC sector recognised and measured in accordance with paragraph 20(b):
 - (a) each PNFC sector and PFC sector entity's accounting policies are adjusted to align with the accounting policies adopted by the whole of government for the same period;

...
- 16 The heading immediately above paragraph 25, and paragraphs 25 and 26 are deleted.

- 17 The heading immediately before paragraph 27 is amended to read as follows:

Whole of Government and GGS Statements of Financial Position

- 18 Paragraph 29 and the heading immediately before it are amended to read as follows:

Whole of Government and GGS Statements of Comprehensive Income

- 29 The whole of government statement of comprehensive income and GGS statement of comprehensive income, and notes thereto, shall be presented in a manner consistent with the requirements for a single statement of comprehensive income in AASB 101.**

- 19 Paragraph 33 is amended to read as follows:

- 33 AASB 101 requires an entity to present all items of income and expense recognised in a period:

- (a) in a single statement of comprehensive income; or
- (b) in two statements:
 - (i) a statement displaying components of profit and loss (separate income statement); and
 - (ii) a second statement beginning with profit and loss and displaying components of other comprehensive income.

This Standard requires (a) to be adopted, and therefore requires all recognised income and expenses to be included in a single statement that presents the comprehensive result (total change in net worth [before transactions with owners in their capacity as owners, where they exist]).

- 20 Paragraph 34 is amended to read as follows:

- 34 As noted in paragraph 14(c), actuarial gains and losses relating to defined benefit superannuation plans may be recognised in

full either through operating result or in full through other non-owner changes in equity.

- 21 The following heading and paragraphs 34A and 34B are inserted immediately before the heading to paragraphs 35 to 37:

Whole of Government and GGS Statements of Changes in Equity

34A The whole of government statement of changes in equity and the GGS statement of changes in equity, and notes thereto, shall be presented in a manner consistent with the requirements in AASB 101.

34B Transactions with owners in their capacity as owners do not arise in a GGS context because there is no ownership group identified for the GGS. They may arise in a whole of government context in relation to partly owned subsidiaries, where they exist. They may also arise between PNFC sector and PFC sector entities and their owner, the GGS.

- 22 The heading to paragraphs 35 to 37 is amended to read as follows:

Whole of Government and GGS Statements of Cash Flows

- 23 Paragraph 38 is amended to read as follows:

38 An example of an acceptable whole of government statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows format and GGS statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows format that are in accordance with this Standard is provided in Illustrative Examples A and B respectively.

- 24 Paragraphs 39 and 40 are amended to read as follows:

39 In addition to the disclosures required by other Australian Accounting Standards in the note containing the summary of significant accounting policies, the following disclosures shall be made prominently in that note:

- (a) **by the whole of government and the GGS :**

- (i) a statement that the financial statements are prepared in accordance with this Standard; and
 - (ii) a reference to the ABS GFS Manual as being the basis for GFS information that is included in the complete set of financial statements; and
- (b) by the GGS only:
- (i) a statement of the purpose for which the GGS financial statements are prepared;
 - (ii) ...
 - (iii) a description of how the GGS financial statements differ from the whole of government financial statements in terms of the treatment of the government's investments in PNFC sector and PFC sector entities; and
 - (iv) where the GGS financial statements are presented separately from the whole of government financial statements, a cross-reference to the whole of government financial statements that have been prepared for the same period and made available at the same time as the GGS financial statements.

40 An example of the information to be included in the summary of significant accounting policies disclosed by the GGS in accordance with paragraph 39 is provided in Illustrative Example C.

25 Paragraph 41 is amended to read as follows:

41 In addition to the disclosures required to be made in other explanatory notes in accordance with other applicable Australian Accounting Standards, the following disclosures shall be made:

- (a) by the whole of government and the GGS:
 - (i) ... Other measures of the key fiscal aggregates shall not be disclosed;
 - (ii) where the key fiscal aggregates measured in accordance with the ABS GFS Manual do not

differ from the key fiscal aggregates provided pursuant to paragraph 16, a statement of that fact; and

(iii) explanations of key technical terms used; and

(b) by the GGS:

(i) ...

(ii) ...

(iii) the aggregate amount of dividends and other distributions to owners in their capacity as owners from PNFC sector and PFC sector entities to the GGS and the aggregate amount of the comprehensive result attributable to the GGS of the PNFC sector and PFC sector entities disclosed in the whole of government statement of comprehensive income by sector for the reporting period.

26 Paragraph 43 is amended to read as follows:

43 In relation to the whole of government, for the purpose of paragraph 41(a)(i)A, the ABS GFS Manual key fiscal aggregate that corresponds to the requirement in paragraph 32(b) to present 'total change in net worth before transactions with owners in their capacity as owners' is 'total change in net worth' (after transactions with owners in their capacity as owners). Accordingly, the reconciliation required to be disclosed by the whole of government by paragraph 41(a)(i)B is from 'total change in net worth before transactions with owners in their capacity as owners' as presented in accordance with paragraph 32(b) to 'total change in net worth' measured in accordance with the ABS GFS Manual. As noted in paragraph 34B, transactions with owners in their capacity as owners do not arise in a GGS context.

27 Paragraph 44 is amended to read as follows:

44 ... However, they do give rise to the need for explanations of the differences to be disclosed. Examples of such differences include:

(a) for both the whole of government and the GGS:

(i) ...

(ii) ...

(iii) ...

(iv) ...

(b) for the whole of government, consolidation eliminations. ...

28 Paragraph 45 is amended to read as follows¹:

45 The GGS is not subject to the disclosures required by paragraphs 41, 42, 43 and Aus43.1 of AASB 127 relating to investments in subsidiaries, jointly controlled entities and associates. The requirements in those paragraphs are either addressed elsewhere in this Standard or are not significant for GGS financial reporting.

29 Paragraph 47 is amended to read as follows:

47 Paragraph 112 of AASB 101 requires additional information to be provided in notes that is not presented in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows but is relevant to an understanding of them. Consistent with this, the components of aggregate numbers presented in those statements, including key fiscal aggregates, are disclosed in the notes where relevant.

30 Paragraph 48 is amended to read as follows:

48 In respect of each broad function identified in Table 2.6 “Government Purpose Classification: Major Groups” of the ABS GFS Manual, the whole of government and the GGS shall disclose by way of note:

(a) ...

¹ In relation to the references to AASB 127 in paragraph 45 of AASB 1049, the relevant paragraph numbers are changed as a result of amendments given effect in AASB 127 (issued March 2008).

- (b) **the carrying amount of assets recognised in the respective statements of financial position that are reliably attributable to that function; and**

...

31 Paragraph 51 is amended to read as follows:

- 51 AASB 114 (AASB 8) does not apply to the whole of government or the GGS. The bases used in the ABS GFS Manual for identifying functions do not necessarily accord with the criteria for identifying segments contained in AASB 114 (AASB 8). However, AASB 114 (AASB 8) may be useful in identifying the expenses, excluding losses, included in operating result and assets that are reliably attributable to each function. ...

32 Paragraphs 52 and 53 are amended to read as follows:

- 52 **The whole of government shall disclose by way of note, in respect of the GGS, PNFC sector and PFC sector as defined in the ABS GFS Manual:**

- (a) ...

- (b) **for each sector:**

- (i) **a statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows that are consistent with the whole of government's corresponding financial statements prepared in accordance with this Standard;**

- (ii) ...

- (ii) **Other measures of the key fiscal aggregates shall not be disclosed; and**

- (iii) ...

- (c) **a reconciliation between the information disclosed for the sectors in total and the corresponding information in the whole of government's statement of financial position, statement of comprehensive income, statement of changes in equity and**

statement of cash flows (see, for example, Illustrative Example A).

- 53 Sector information prepared in accordance with paragraph 52(b) is determined before consolidation eliminations. Accordingly, GGS investments in PNFC sector and PFC sector entities are included in the GGS information that is disclosed by the whole of government. They are measured at the carrying amount of net assets disclosed by the whole of government for the PNFC sector and PFC sector.
- 33 Paragraph 54 is amended to read as follows:
- 54 Notes to the sector statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows, other than those required by paragraph 52, are not required to be disclosed.
- 34 Paragraph 58 is amended to read as follows:
- 58 The sector statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows could be presented in a single schedule that includes an adjustments column to facilitate reconciliation to the corresponding whole of government statements in accordance with paragraph 52(c). Alternatively, those sector financial statements may be presented in columns, with or without an adjustments column, in the whole of government statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows. Where an adjustments column is not provided in those whole of government financial statements, the reconciliation required by paragraph 52(c) is provided in the notes. Disclosure of the individual eliminations between the sectors is not required.
- 35 Paragraph 59 is amended to read as follows:
- 59 Where one or more of the following whole of government or GGS budgeted:**
- (a) **statements of financial position;**
 - (b) **statements of comprehensive income;**
 - (c) **statements of changes in equity; and**

(d) **statements of cash flows;**

is or are presented to parliament, the whole of government or GGS, respectively, shall disclose for the reporting period:

(e) **that original budgeted financial statement or those original budgeted financial statements that were presented to parliament, presented on a basis that is consistent with the basis prescribed for financial statements by this Standard; and**

(f) **explanations of major variances between the actual amounts presented in that or those financial statements and corresponding original budget amounts.**

36 Paragraph 64 is amended to read as follows:

64 The whole of government and GGS statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows include information about the government, as determined in accordance with this Standard. To the extent the first budget presented to parliament is not consistent with the information in the corresponding financial statements, the budget presented to parliament is restated for budget disclosure purposes to align with the accounting basis specified in this Standard. As the budget basis to be disclosed is consistent with the accounting basis, budget information may be presented in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows.

37 Paragraph 65 is amended to read as follows:

65 The explanations of major variances required to be disclosed by paragraph 59(f) are those relevant to an assessment of the discharge of accountability and to an analysis of performance of government. They include high-level explanations of the causes of major variances rather than merely the nature of the variances.

38 The following paragraph 65A is added immediately before paragraph 66:

65A The following transitional provisions shall not be applied by governments that have previously applied this Standard as issued in October 2007.

39 In Appendix A the definition of whole of government financial report is deleted and replaced by the following definition of whole of government general purpose financial statements:

**whole of government
general purpose
financial statements**

General purpose financial statements prepared by a government that are prepared in accordance with Australian Accounting Standards, including *AASB 127 Consolidated and Separate Financial Statements*, and thereby separately recognise assets, liabilities, income, expenses and cash flows of all entities under the control of the government on a line-by-line basis.

40 The following amendments are made in the Illustrative Examples to AASB 1049.

- (a) The phrase 'Key Technical Terms Used in the Financial Reports' is changed to 'Key Technical Terms used in the Complete Sets of Financial Statements' in item D of the list of contents at the start of the Illustrative Examples on page 61 and in the heading of Illustrative Example D on page 101.
- (b) The phrase 'Financial Statements' is changed to 'Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows' in items A and B of the list of contents at the start of the Illustrative Examples on page 61, in the heading of Illustrative Example A at page 62 and in the heading of Illustrative Example B at page 78.
- (c) The line item 'employee expenses' is changed to 'employee benefits expense' in the statements of comprehensive income on pages 62, 68 and 78.

- (d) The explanatory notes to the statements of comprehensive income on pages 63 and 79 are amended to read as follows:

^a Explanatory note: As noted in paragraph 14(c) of this Standard, an alternative treatment of net actuarial gains relating to defined benefit superannuation plans [consistent with paragraph 93B of AASB 119 *Employee Benefits*] would be to recognise them in full through other non-owner changes in equity (which is part of comprehensive result).

- (e) The following statement of changes in equity is added immediately after page 65:

Statement of Changes in Equity for the Whole of Government of the ABC Government for the Year Ended 30 June 20XX

	Accumulated Surplus/(Deficit)	Asset Revaluation Reserve	Net Gain on Financial Assets	Total Equity
Notes	\$m	\$m	\$m	\$m
Equity at 1 July 20XX-1	(40,120)	16,887	12,675	(10,558)
Total comprehensive result	7,079	1,589	2,946	11,614
EQUITY AT 30 JUNE 20XX	(33,041)	18,476	15,621	1,056

- (f) In the statement of financial position for the whole of government by sector on page 71 the following changes are made:
- (i) GGS Accumulated surplus/(deficit) is changed from (19,252) to (20,324);
 - (ii) Eliminations for Accumulated surplus/(deficit) is changed from (25,509) to (24,437);
 - (iii) GGS Other reserves is changed from 19,802 to 20,874; and
 - (iv) Eliminations for Other reserves is changed from 506 to (566).
- (g) The following statement of changes in equity is added immediately after page 71:

R3 Statement of Changes in Equity for the Whole of Government by Sector of the ABC Government for the Year Ended 30 June 20XX

	Contributed Equity		Accumulated Surplus/(Deficit)		Asset Revaluation Reserve			Net Gain on Equity Investments in Other Sector Entities	Net Gain on Other Financial Assets		Eliminations	Total		
	PNFC sector \$m	PFC sector \$m	GGs \$m	PNFC sector \$m	PFC sector \$m	GGs \$m	PNFC sector \$m	PFC sector \$m	GGs \$m	PNFC sector \$m			PFC sector \$m	Whole of Government \$m
Equity at 1 July 20XX-1	6,900	350	(26,491)	14,775	(5,315)	12,661	2,030	1,690	-	4,589	185	7,901	(29,833)	(10,558)
Total comprehensive result	-	-	6,167	(3,918)	6,178	1,552	20	17	1,072	1,000	15	1,931	(2,420)	11,614
EQUITY AT 30 JUNE 20XX	6,900	350	(20,324)	10,857	863	14,213	2,050	1,707	1,072	5,589	200	9,832	(32,253)	1,056

Explanatory note: Shares and contributed equity do not exist in a GGS context.

(h) The heading on page 72 is amended to read as follows:

**R4 Statement of Cash Flows for the Whole of
Government by Sector of the ABC
Government for the Year Ended 30 June 20XX**

(i) In the statement of financial position for the GGS on page 81 the following changes are made:

(i) Accumulated surplus/(deficit) is changed from (19,252) to (20,324); and

(ii) Other Reserves are changed from 19,802 to 20,874.

(j) The following statement of changes in equity is added immediately after page 81:

**Statement of Changes in Equity for the General Government Sector of the
ABC Government for the Year Ended 30 June 20XX**

	Accumulated Surplus/(Deficit) \$m	Asset Revaluation Reserve \$m	Net Gain on Equity Investments in Other Sector Entities \$m	Net Gain on Other Financial Assets \$m	Total Equity \$m
Equity at 1 July 20XX-1	(26,491)	12,661	-	4,589	(9,241)
Total comprehensive result	6,167	1,552	1,072	1,000	9,791
EQUITY AT 30 JUNE 20XX	(20,324)	14,213	1,072	5,589	550

- (k) The boxed text and the first paragraph after the boxed text in Illustrative Example C on page 99 are amended to read as follows:

The following is an example of an extract from Note 1 of the financial statements for a year subsequent to the first year of adoption of this Standard, consistent with the requirements of paragraph 39. This example assumes that the GGS financial statements are presented separately from the whole of government financial statements.

The financial statements of the General Government Sector (GGS) of *[name of the Government]* have been prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (issued *[month to be inserted]* 2008), which requires compliance with all Australian Accounting Standards except those identified below. The purpose of the financial statements is to provide users with information about the stewardship by the Government in relation to its GGS and accountability for the resources entrusted to it; information about the financial position, changes in net assets/(liabilities), performance and cash flows of the Government's GGS; and information that facilitates assessments of the macro-economic impact of the Government's GGS.

- (l) The third paragraph of Illustrative Example C on page 99 is amended to read as follows:

The Standard under which the GGS financial statements are prepared ...

- (m) The explanatory note in the footnote on the first page of Illustrative Example D is amended to read as follows:

Explanatory note: The term 'transactions with owners in their capacity as owners' is most pertinent in a whole of government context. Such transactions may occur between the GGS, as owner, and the PNFC/PFC sectors and are therefore required to be disclosed in the sector information included in the whole of government financial statements. In addition, transactions with owners in their capacity as owners may occur in a whole of government context in relation to partly owned subsidiaries. Accordingly, the GGS financial statements could use the alternative term 'Comprehensive result (total change in net worth)' defined as the net result of

all items of income and expense recognised for the period. It is the aggregate of operating result and other changes in equity.

- (n) The key technical term ‘Whole of government financial report’ in Illustrative Example D on page 105 is amended to read as follows:

Whole of government financial statements are financial statements that are prepared in accordance with Australian Accounting Standards, including AASB 127 *Consolidated and Separate Financial Statements*, and thereby separately recognise assets, liabilities, income, expenses, and cash flows of all entities under the control of the government on a line-by-line basis.

BASIS FOR CONCLUSIONS

The Basis for Conclusions accompanies, but is not part of, AASB 2008-X.

Background

- BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board's considerations in reaching the conclusions in this Exposure Draft. Individual Board members gave greater weight to some factors than to others.

Significant Issues

- BC2 AASB 101 *Presentation of Financial Statements* (as issued in October 2006) required the presentation of an income statement that included items of income and expense recognised in profit or loss. It required items of income and expense not recognised in profit or loss to be presented in the statement of changes in equity, potentially together with owner changes in equity. Revised AASB 101 (issued September 2007) includes requirements for income and expenses to be presented in one statement (a statement of comprehensive income) or in two statements (a separate income statement and a statement of comprehensive income), separately from owner changes in equity. As a result of these changes, AASB 101 now more closely aligns with the principles in AASB 1049 (issued October 2007), and it is possible for AASB 1049 to rely more heavily on the principles in AASB 101 by cross-reference rather than express requirements directly in AASB 1049. This is more consistent with the approach taken in AASB 1049 of relying on cross-references to other Standards rather than expressing the principles in those Standards directly in AASB 1049.
- BC3 The Board noted that a consequence of this approach is a requirement to present a statement of changes in equity. Previously, AASB 1049 contemplated information pertinent to a statement of changes in equity being presented in a note or a separate statement to the extent the information is not included in the statement of comprehensive income. This was because of the way in which superseded AASB 101 treated such items. For example, superseded AASB 101 required changes in reserves to be presented in what was then a statement of changes in equity (which included components of comprehensive income) or in the notes. It also contemplated transactions with owners in their capacity as owners being presented in the statement of changes in equity or in the notes. Revised AASB 101 requires changes in reserves and transactions with owners in their capacity as owners to be presented in the statement of

changes in equity. Therefore, this Exposure Draft proposes amending AASB 1049 to require the presentation of a statement of changes in equity.

- BC4 With minor exceptions, the Board decided to align the terminology used in AASB 1049 with the terminology in AASB 101 to ensure consistency across the suite of Australian Accounting Standards. The reference to ‘comprehensive result’ and ‘operating result’ is retained, despite AASB 101’s use of the terms ‘total comprehensive income’ and ‘profit or loss’. The Board concluded that, for the purpose of the Standard, the terms ‘comprehensive result’ and ‘operating result’ are more appropriate in a not-for-profit public sector context.
- BC5 Consistent with AASB 101 (September 2007), the financial statement titles ‘balance sheet’, ‘operating statement’ and ‘cash flow statement’ have been replaced by ‘statement of financial position’, ‘statement of comprehensive income’ and ‘statement of cash flows’ respectively. The Board noted that, consistent with the flexibility on statement titles allowed for in AASB 101, whole of governments and GGSs would not be restricted by AASB 1049 to using the titles used in AASB 1049.
- BC6 The Board decided that the transitional requirements in the revised AASB 1049 should not be available to governments that have previously applied AASB 1049 as issued in October 2007. This is because the transitional requirements should only be available once, on the initial transition to harmonisation with GFS.
- BC7 Following feedback on AASB 1049 from constituents the Board decided to clarify that:
- (a) the whole of government statement of comprehensive income disclosures referred to in paragraph 41(b)(iii) of AASB 1049 relate to the sector statements of comprehensive income that are disclosed by the whole of government; and
 - (b) the budget information disclosure requirements in paragraph 59 of AASB 1049 only relate to the budgeted financial statement(s) that were initially presented to parliament.
- BC8 To assist in implementation of the changes to AASB 1049 the Board decided to incorporate them into the Illustrative Examples in the Standard, including the addition of illustrations of the statement of changes in equity.

**Draft compiled AASB 1049 provided for the information of AASB
constituents for the purpose of commenting on ED 163 *Proposed
Amendments to AASB 1049 for Consistency with AASB 101***

**Draft Accounting
Standard**

AASB 1049
XX 2008

Whole of Government and General Government Sector Financial Reporting



Australian Government

**Australian Accounting
Standards Board**

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Draft compiled AASB 1049 provided for the information of AASB constituents for the purpose of commenting on ED 163 Proposed Amendments to AASB 1049 for Consistency with AASB 101

The mark-ups in this draft “compiled” Standard reflect the proposed changes to AASB 1049 in ED 163 *Proposed Amendments to AASB 1049 for Consistency with AASB 101*. Paragraph numbers and footnote numbers in AASB 1049 (October 2007) have been retained, but note that new paragraphs 34A, 34B and 65A have been added. This marked-up draft Standard does not include a Preface, Comparison with International Pronouncements or a Basis for Conclusions.

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Draft compiled AASB 1049 provided for the information of AASB constituents for the purpose of commenting on ED 163 Proposed Amendments to AASB 1049 for Consistency with AASB 101

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Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting* is set out in paragraphs 1-70 and Appendix A. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. Terms defined in this Standard are in *italics* the first time they appear in the Standard. AASB 1049 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation and Application of Standards*, which identifies the Australian Accounting Interpretations. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

ACCOUNTING STANDARD AASB 1049

WHOLE OF GOVERNMENT AND GENERAL GOVERNMENT SECTOR FINANCIAL REPORTING

Objective

- 1 The objective of this Standard is to specify requirements for *whole of government ~~general purpose financial statements~~ ~~financial reports~~ and General Government Sector (GGS) ~~financial statements~~ ~~financial reports~~* of each government. This Standard requires compliance with other applicable Australian Accounting Standards except as specified in this Standard. It also requires disclosure of additional information such as reconciliations to *key fiscal aggregates* determined in accordance with the *ABS GFS Manual* and, for the whole of government, sector information (GGS, *Public Non-Financial Corporations (PNFC) sector* and *Public Financial Corporations (PFC) sector*). Whole of government ~~financial statements~~ ~~financial reports~~ and GGS ~~financial statements~~ ~~financial reports~~ prepared in accordance with this Standard provide users with:
- (a) information about the stewardship by each government and accountability for the resources entrusted to it;
 - (b) information about the financial position, performance and cash flows of each government and its sectors; and
 - (c) information that facilitates assessments of the macro-economic impact of each government and its sectors.

Application

- 2 **This Standard applies to each government's whole of government general purpose ~~financial statements~~ ~~financial report~~ and GGS ~~financial statements~~ ~~financial report~~.**
- 3 **This Standard applies to annual reporting periods beginning on or after 1 January 2009 ~~July 2008~~.**
- 4 **This Standard may be applied to annual reporting periods beginning before 1 January 2009 ~~July 2008~~.**

- 5 ~~The requirements specified in this Standard apply to whole of government financial reports and GGS financial reports where information resulting from their application is material in accordance with AASB 1031 Materiality.~~
- 6 When applicable, this Standard supersedes AASB 1049 *Financial Reporting of General Government Sectors by Governments* (October 2007/September 2006) and AAS 31 *Financial Reporting by Governments* (November 1996), as amended.

Financial Statements ~~Financial Reports~~ to be Prepared

- 7 A government shall prepare ~~the~~ whole of government financial statements ~~financial report~~ and ~~the~~ GGS financial statements ~~financial report~~ in accordance with the requirements of this Standard.
- 8 A government shall not make its GGS financial statements ~~financial report~~ available prior to its whole of government financial statements ~~financial report~~ being made available.

Compliance with Australian Accounting Standards

- 9 Unless otherwise specified in this Standard, the whole of government financial statements ~~financial report~~ and the GGS financial statements ~~financial report~~ shall adopt the same accounting policies and be prepared in a manner consistent with other applicable Australian Accounting Standards.
- 10 With limited significant exceptions, this Standard requires the definition, recognition, measurement, classification, consolidation, presentation and disclosure requirements specified in other applicable Australian Accounting Standards to be adopted ~~in the whole of government financial report and the GGS financial report~~. This Standard only requires a different treatment from another applicable Australian Accounting Standard when the requirements of this Standard directly conflict with the requirements of that other Standard. In particular,±
- (a) ~~in relation to both the whole of government financial report and the GGS financial report, in conflict with AASB 101 Presentation of Financial Statements[±], paragraphs 25 and 29~~

[±]—References in this Standard to AASB 101 are to that Standard as made on 15 July 2004 and amended to 8 September 2005. The revised AASB 101, issued on 24 September 2007, has

~~prescribe operating statements that include all recognised income and expenses on their face and do not require separate statements of changes in equity; and~~

- ~~(b) in relation to the GGS financial report, in conflict with AASB 127 *Consolidated and Separate Financial Statements*, paragraph 19 prohibits the consolidation of controlled entities in other sectors.~~

11 Where an Australian Accounting Standard:

- (a) explicitly excludes from its scope not-for-profit entities, such as AASB 114 *Segment Reporting* (and AASB 8 *Operating Segments*)²; or
- (b) explicitly excludes from its scope not-for-profit public sector entities, such as AASB 124 *Related Party Disclosures*; or
- (c) only applies to certain entities, such as listed companies, that are required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act 2001*, such as AASB 133 *Earnings per Share*;

~~the whole of government financial statements financial report and the GGS financial statements financial report are not required to adopt the requirements of that Standard.~~

12 Paragraph ~~Aus15.4~~~~Aus13.4~~ of AASB 101 *Presentation of Financial Statements* applies to the whole of government ~~financial report~~. It does not apply to the GGS ~~financial report~~. Accordingly, the GGS ~~financial report~~ is not required to disclose that ~~its financial statements are the financial report~~ is a general purpose ~~financial statements financial report~~ or a special purpose ~~financial statements financial report~~.

13 In satisfying paragraph 9 of this Standard, where compliance with the ABS GFS Manual would not conflict with Australian Accounting Standards, the principles and rules in the ABS GFS Manual shall be applied. In particular, certain Australian Accounting Standards allow optional treatments within their scope. Those optional treatments in Australian Accounting Standards aligned with the principles or rules in the ABS GFS Manual shall be applied.

~~an application date of 1 January 2009. This Standard will be amended in respect of the revised AASB 101 in due course.~~

² AASB 8 (February 2007) is operative on or after 1 January 2009, with early adoption allowed. When applicable, AASB 8 supersedes AASB 114.

14 Examples of particular optional treatments in Australian Accounting Standards that paragraph 13 of this Standard has the effect of limiting, include:

- (a) assets within the scope of AASB 116 *Property, Plant and Equipment*, AASB 138 *Intangible Assets* or AASB 140 *Investment Property* that may be measured at cost or at fair value. Those assets that are assets under the ABS GFS Manual that are within the scope of those Standards are required to be measured at fair value because the ABS GFS Manual requires those assets to be measured at market value.

However, the fair value options allowed under AASB 116, AASB 138 and AASB 140 are not amended by paragraph 13 of this Standard. If the fair value of an asset cannot be reliably measured in accordance with an Australian Accounting Standard that allows a choice between fair value and cost, then that asset is to be measured at cost. Where historical cost is adopted because fair value cannot be measured reliably, historical cost is not characterised as fair value. Also, for example, the requirement for the fair value of an intangible asset to be determined by reference to an active market under AASB 138 continues to apply;

- (b) certain financial instruments that may be measured at fair value or on another basis under AASB 139 *Financial Instruments: Recognition and Measurement*. Where financial instruments meet the criteria for measurement at fair value under AASB 139, they are required to be measured at fair value where the ABS GFS Manual requires market value as the measurement basis.

Although fair value measurement in the statement of financial position~~balance sheet~~ may be mandated through paragraph 13 of this Standard, the accounting for changes in fair value in the statement of comprehensive income~~operating statement~~ is not mandated by paragraph 13. Rather, changes in fair value are classified in the statement of comprehensive income~~operating statement~~ in accordance with AASB 139. AASB 139 anticipates certain financial assets being classified as either:

- (i) ‘fair value through profit or loss’, with changes in fair value included in operating result; or
- (ii) ‘available-for-sale’, with changes in fair value included in the other non-owner changes~~movements~~ in equity section of the statement of comprehensive income~~operating statement~~;

- (c) actuarial gains and losses relating to defined benefit superannuation plans that may be recognised in full through operating result (which is part of comprehensive result), recognised in full through other non-owner changes in equity (which is also part of comprehensive result)~~recognised in full directly in accumulated results~~, or partially deferred using a ‘corridor approach’ under AASB 119 *Employee Benefits*. For the purpose of this Standard, the option to partially defer using a ‘corridor approach’ is not available because it is not acceptable under the ABS GFS Manual. The other two options are available.

~~However, the effect of paragraph 29 of this Standard is that the full amount is recognised on the face of the operating statement and included in either:~~

- ~~(i) the calculation of operating result (as illustrated in Illustrative Examples A and B); or~~
- ~~(ii) the other non-owner movements in equity section of the operating statement;~~
- (d) investments in jointly controlled entities that may be accounted for using the equity method of accounting or proportionate consolidation under AASB 131 *Interests in Joint Ventures*. Because proportionate consolidation is inconsistent with the ABS GFS Manual’s principles and rules, paragraph 13 of this Standard has the effect of not allowing proportionate consolidation to be adopted;
- (e) cash flows from operating activities that may be reported using either the direct method or the indirect method in the statement of cash flows~~cash flow statement~~ under AASB 107 *Statement of Cash Flows*~~Cash Flow Statements~~. Because the direct method is consistent with the format of the cash flow statement under the ABS GFS Manual, paragraph 13 of this Standard has the effect of requiring the direct method to be adopted;
- (f) dividends paid by entities within the PNFC sector and PFC sector that may be classified by those sectors as a financing cash flow or as a component of cash flows from operating activities under AASB 107. Because classification as a financing cash flow is consistent with the format of the cash flow statement under the ABS GFS Manual, paragraph 13 of this Standard has the effect of requiring classification of dividends paid as a financing cash flow; and

- (g) government grants accounted for by entities within the PNFC sector and PFC sector in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. In accordance with paragraphs 52(b)(i) and 53 of this Standard, information about the PNFC sector and PFC sector disclosed by the whole of government ~~financial report~~ is prepared in a manner consistent with the accounting policies adopted in the whole of government statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows~~financial statements~~. Therefore, the options in AASB 120 are not adopted and instead the principles in AASB 1004 *Contributions* are applied.
- 15 Certain Australian Accounting Standards do not prescribe specific treatments for all items and issues within their scope. An example is AASB 101, which specifies only the minimum line items to be presented ~~in the face of the statement of financial position~~balance sheet and requires additional line items, headings and subtotals to be presented ~~on the face~~ when such presentation is relevant to an understanding of the entity's financial position. The ABS GFS Manual specifies principles and rules for the presentation of a balance sheet prepared for GFS purposes. ~~The Those~~ ABS GFS Manual principles and rules are required to be applied in the presentation of the whole of government statement of financial position~~balance sheet~~ and the GGS statement of financial position~~balance sheet~~ to the extent that they do not conflict with AASB 101.
- 16 Subject to paragraphs 41(a)(i)A and 52(b)(ii)A of this Standard, key fiscal aggregates that are ~~disclosed by~~included in the whole of government ~~financial report~~ or the GGS ~~financial report~~, either because they are required by this Standard or a government elects to provide additional information, shall be measured in a manner that is consistent with amounts recognised ~~in the face of the corresponding statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows~~financial statements.**
- 17 This Standard requires certain information that is relevant to an assessment of the macro-economic impact of:
- (a) a whole of government and GGS to be included ~~in the face of the statements of financial position, statements of comprehensive income and statements of cash flows~~financial statements (see paragraphs 28, 32 and 37); and

- (b) a government's sectors to be included in the sector statements of financial position, statements of comprehensive income and statements of cash flows ~~financial statements~~ required to be disclosed ~~by~~ in the whole of government ~~financial report~~ by paragraph 52(b)(i).

This Standard requires the information to be determined in a manner consistent with other amounts recognised ~~in on the face of the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows~~ financial statements. Corresponding amounts, determined in accordance with the ABS GFS Manual, are required to be disclosed in the notes where they differ from the amounts presented ~~in on the face of the statement of financial position, statement of comprehensive income and statement of cash flows~~ financial statements (see paragraphs 41(a)(i)A and 52(b)(ii)A).

- 18 A government may elect to disclose key fiscal aggregates or other information in accordance with the ABS GFS Manual that are additional to the requirements of this Standard. If a government elects to make additional disclosures, they are made in a way that does not detract from the information prescribed in this Standard. Examples of additional disclosures that may be made voluntarily include the classification of *other economic flows* consistent with Table 7.4 of the ABS GFS Manual and additional key fiscal aggregates such as change in *net worth* due to revaluations and change in net worth due to other changes in the volume of assets. Consistent with the requirements in paragraph 16 of this Standard, additional key fiscal aggregates are measured in a manner consistent with recognised amounts. Consistent with paragraphs 41(a)(i) and 52(b)(ii) of this Standard, where they differ, corresponding key fiscal aggregates measured in accordance with the ABS GFS Manual are disclosed, together with a reconciliation of the two measures of each key fiscal aggregate. Measures of key fiscal aggregates that are not in accordance with this Standard or the ABS GFS Manual are not disclosed as key fiscal aggregates.

Presentation and Scope of GGS Financial Statements

- 19 ~~In relation to a GGS financial report, a~~ **A government shall present GGS financial statements in which it consolidates only entities that are within the GGS, using the consolidation procedures specified in AASB 127.**

GGs Investment in PNFC Sector and PFC Sector Entities

- 20 A GGS equity investment in a government controlled entity that is within the PNFC sector and PFC sector shall be recognised as an asset in the GGs statement of financial position balance sheet ~~included in the GGS financial report~~. It shall be measured:**
- (a) at fair value, where fair value is reliably measurable; or**
 - (b) at the government's proportional share of the carrying amount of net assets of the PNFC sector or PFC sector entity before consolidation eliminations, where fair value is not reliably measurable and the carrying amount of net assets before consolidation eliminations is not less than zero; or**
 - (c) at zero, where fair value is not reliably measurable and the carrying amount of net assets of the PNFC sector or PFC sector entity before consolidation eliminations is less than zero.**

Any change in the carrying amount of the investment from period to period shall be accounted for as if the change in carrying amount is a change in fair value and accounted for in a manner consistent with the requirements in AASB 139.

- 21** If the carrying amount of net assets of a PNFC sector or PFC sector entity is less than zero, a liability may need to be recognised by the GGS to the extent a present obligation exists.
- 22** Income from GGS investments in controlled entities in the PNFC sector and PFC sector is accounted for in accordance with AASB 118 *Revenue* and AASB 139. Dividends are classified as revenue consistent with AASB 118. A change in the carrying amount of the investment over the reporting period that does not arise from the government acquiring or disposing of an interest or undistributed dividends is classified as a gain or loss. The gain or loss is included in the operating result or other ~~changes~~ movements in equity, depending on whether the investment is classified in the same manner as 'fair value through profit or loss' investments or in the same manner as 'available-for-sale' investments consistent with the principles in AASB 139.
- 23** For the purposes of determining the carrying amount of net assets of entities within the PNFC sector and PFC sector recognised and measured in accordance with paragraph (b):

- (a) each PNFC sector and PFC sector entity's accounting policies are adjusted to align with the accounting policies adopted ~~in by~~ the whole of government ~~financial report~~ for the same period;
- (b) intersector balances between the GGS and entities within the PNFC sector and PFC sector are not eliminated; and
- (c) individual amounts for each PNFC sector and PFC sector entity are aggregated and presented on a net basis.

GGS Investment in Jointly Controlled Entities and Associates

- 24** Investments in jointly controlled entities and associates shall be measured using the equity method of accounting, unless the investment is classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, in which case AASB 5 is applied.

~~Components of a Whole of Government Financial Report and a GGS Financial Report~~

- ~~25~~ ~~The whole of government financial report and the GGS financial report shall comprise:~~

- ~~(a) a balance sheet;~~
- ~~(b) an operating statement;~~
- ~~(c) a cash flow statement; and~~
- ~~(d) notes, comprising a summary of significant accounting policies and other explanatory notes.~~

~~A separate statement of changes in equity is not required.~~

- ~~26~~ As specified in paragraph 29 of this Standard, the whole of government operating statement and the GGS operating statement prescribed in this Standard incorporate into single statements the information that would otherwise be required by AASB 101 to be presented in two separate statements—the income statement and the statement of changes in equity. Information about movements in reserves is disclosed in the notes, on the face of the operating statement or in a separate statement. Where they arise, 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. Such transactions do not arise in a GGS

context because there is no ownership group identified for the GGS. They may arise in a whole of government context in relation to partly owned subsidiaries. They may also arise between PNFC/PFC sector entities and their owner, the GGS.

Whole of Government and GGS Statements of Financial Position Balance Sheet

- 27 ~~The face of the~~ **The whole of government statement of financial position balance sheet and the GGS statement of financial position balance sheet**, and notes thereto, shall be presented in a manner consistent with the requirements in AASB 101.
- 28 Net worth shall be presented ~~in on the face of~~ **the whole of government statement of financial position balance sheet and GGS statement of financial position balance sheet**, measured in a manner consistent with other amounts recognised ~~in on the faces of~~ **the respective statements of financial position balance sheets**.

Whole of Government and GGS Statements of Comprehensive Income Operating Statement

- 29 ~~The whole of government statement of comprehensive income operating statement and GGS statement of comprehensive income operating statement shall include all items of income and expense recognised in a period. The face of the operating statements, and notes thereto, shall be presented in a manner consistent with the requirements for a single statement of comprehensive income the income statement and statement of changes in equity in AASB 101.~~
- 30 All amounts relating to an item included in the determination of comprehensive result (total change in net worth [before transactions with owners **in their capacity** as owners]) shall be classified as *transactions* or other economic flows in a manner that is consistent with the principles in the ABS GFS Manual.
- 31 The following examples illustrate how the approach in paragraph 30 applies to particular items:
- (a) in both a whole of government and GGS financial reporting context:
 - (i) net profit/(loss) from associates potentially comprises two components under GFS classification – dividends from

associates and the remainder. Accordingly, dividends are classified as transactions and the remainder is classified as other economic flows. Such dividends are not included in the line item that includes dividends from entities other than associates;

- (ii) changes in the fair value of financial instruments measured at fair value, that do not arise from undistributed interest or dividends, are classified as other economic flows, irrespective of whether the instruments are classified as 'fair value through profit or loss' or 'available-for-sale';
 - (iii) actuarial gains and losses relating to defined benefit superannuation plans are classified as other economic flows, irrespective of whether they are included in the calculation of operating result or the other non-owner ~~changes~~ movements in equity section of the statement of comprehensive income ~~operating statement~~;
 - (iv) changes in the fair value of investment property potentially comprise two components under GFS classification – consumption of capital and price changes. Accordingly, the consumption of capital is classified as transactions and the price changes are classified as other economic flows. Although the consumption of capital may be considered to be similar in nature to depreciation, it is not included in the line item that includes depreciation;
 - (v) depreciation of defence weapons platforms is classified as a transaction, by analogy with the GFS classification of depreciation of other plant and equipment;
 - (vi) doubtful debts are classified as other economic flows, by analogy with the GFS classification of revaluation of other assets; and
 - (vii) bad debts are classified as transactions to the extent they are mutually agreed, otherwise they are classified as other economic flows; and
- (b) in a GGS financial reporting context, dividends from PNFC sector and PFC sector entities are classified as transactions to the extent that the ABS GFS Manual accounts for them as dividends and otherwise as other economic flows.

In some cases the approach in paragraph 30 facilitates the reduction of differences between GAAP and GFS, particularly at the key fiscal aggregate level. Illustrative Examples A and B illustrate the classification between transactions and other economic flows for some of the items listed above and other possible circumstances where items recognised in the whole of government statement of comprehensive income ~~operating statement~~ and the GGS statement of comprehensive income ~~operating statement~~ do not have GFS equivalents.

32 The following shall be presented ~~in on the face of the whole of~~ government statement of comprehensive income ~~operating statement~~ and the GGS statement of comprehensive income ~~operating statement~~:

- (a) *net operating balance*;
- (b) **total change in net worth (before transactions with owners in their capacity as owners, where they exist); and**
- (c) *net lending/(borrowing) and its derivation from net operating balance*;

measured in a manner consistent with other amounts recognised in on the face of the respective statements of comprehensive income ~~operating statements~~.

33 ~~Although AASB 101 requires an entity to present all items of income and expense recognised in a period:~~

- (a) in a single statement of comprehensive income; or
- (b) in two statements:
 - (i) a statement displaying components of profit and loss (separate income statement); and
 - (ii) a second statement beginning with profit and loss and displaying components of other comprehensive income.

~~requires certain income and expenses to be included in the statement of changes in equity rather than the income statement, this~~ This Standard requires (a) to be adopted, and therefore requires all recognised income and expenses to be included in a single statement that presents the comprehensive result (total change in net worth [before transactions with owners in their capacity as owners, where they exist]). ~~At least the same level of information required in the income statement and the statement of changes in equity relating to income and expenses~~

recognised for the period is required to be presented on the face of the operating statement or in the notes, consistent with the requirements in AASB 101. For example, consistent with paragraph 96(d) of AASB 101, an entity presents on the face of the whole of government operating statement and the GGS operating statement, for each component of equity, the effects of changes in accounting policies and corrections of errors recognised in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

- 34 As noted in paragraph 1414(c), actuarial gains and losses relating to defined benefit superannuation plans may be recognised in full either through operating result or in full through other non-owner changes in equity, directly in other (non-owner) movements in equity. ~~If the latter option is adopted, consistent with paragraph 93B of AASB 119, the opening and closing balances of accumulated results and the changes during the period referred to in paragraph 97(b) of AASB 101 are not included on the face of the operating statement.~~

Whole of Government and GGS Statements of Changes in Equity

34A The whole of government statement of changes in equity and the GGS statement of changes in equity, and notes thereto, shall be presented in a manner consistent with the requirements in AASB 101.

34B Transactions with owners in their capacity as owners do not arise in a GGS context because there is no ownership group identified for the GGS. They may arise in a whole of government context in relation to partly owned subsidiaries, where they exist. They may also arise between PNFC sector and PFC sector entities and their owner, the GGS.

Whole of Government and GGS Statements of Cash Flows **Cash Flow Statement**

~~35 The face of the~~ **The whole of government statement of cash flow**~~cash flow statement and the GGS statement of cash flow~~
flow statement, and notes thereto, shall be presented in a manner consistent with the requirements in AASB 107.

36 Cash flows relating to investing in financial assets for policy purposes and for liquidity management purposes shall be presented separately, determined in a manner consistent with the ABS GFS Manual, in~~on the face of~~ the whole of government

~~statement of cash flow~~ ~~cash flow statement~~ and the GGS ~~statement of cash flow~~ ~~cash flow statement~~.

- 37 ~~The face of the~~ ~~The whole of government~~ ~~statement of cash flow~~ ~~cash flow statement~~ and the GGS ~~statement of cash flow~~ ~~cash flow statement~~ shall also include *cash surplus/(deficit)* and its derivation, measured in a manner consistent with other amounts recognised ~~in on the face of the~~ respective ~~statements of cash flow~~ ~~cash flow statements~~, without the deduction of the value of assets acquired under finance leases and similar arrangements.

Illustrative Examples

- 38 An example of an acceptable whole of government ~~statement of financial position~~ ~~balance sheet~~, ~~statement of comprehensive income~~ ~~operating statement~~, ~~statement of changes in equity~~ and ~~statement of cash flow~~ ~~cash flow statement~~ format and GGS ~~statement of financial position~~ ~~balance sheet~~, ~~statement of comprehensive income~~ ~~operating statement~~, ~~statement of changes in equity~~ and ~~statement of cash flow~~ ~~cash flow statement~~ format that are in accordance with this Standard is provided in Illustrative Examples A and B respectively.

Notes

Summary of Significant Accounting Policies

- 39 In addition to the disclosures required by other Australian Accounting Standards in the note containing the summary of significant accounting policies, the following disclosures shall be made prominently in that note:
- (a) ~~by~~ ~~in the whole of government~~ ~~financial report~~ and the GGS ~~financial report~~:
 - (i) a statement that the ~~financial statements~~ ~~financial report~~ ~~is~~ ~~are~~ prepared in accordance with this Standard; and
 - (ii) a reference to the ABS GFS Manual as being the basis for GFS information that is included in the ~~complete set of financial statements~~ ~~financial report~~; and
 - (b) ~~by~~ ~~in the GGS~~ ~~financial report~~ only:

- (i) a statement of the purpose for which the GGS financial statements~~financial report~~ is are prepared;
- (ii) a description of the GGS;
- (iii) a description of how the GGS financial statements~~financial report~~ differs from the whole of government financial statements~~financial report~~ in terms of the treatment of the government's investments in PNFC sector and PFC sector entities; and
- (iv) where the GGS financial statements~~financial report~~ are presented separately from the whole of government financial statements~~financial report~~, a cross-reference to the whole of government financial statements~~financial report~~ that have~~has~~ been prepared for the same period and made available at the same time as the GGS financial statements~~financial report~~.

40 An example of the information to be included in the summary of significant accounting policies disclosed by the ~~in the~~ GGS financial report~~report~~ in accordance with paragraph 39 is provided in Illustrative Example C.

Other Explanatory Notes

41 In addition to the disclosures required to be made in other explanatory notes in accordance with other applicable Australian Accounting Standards, the following disclosures shall be made:

- (a) by~~in~~ the whole of government financial report~~financial report~~ and the GGS financial report~~financial report~~:
 - (i) where the key fiscal aggregates measured in accordance with the ABS GFS Manual differ from the key fiscal aggregates provided pursuant to paragraph 16 of this Standard:
 - A the key fiscal aggregates measured in accordance with the ABS GFS Manual; and
 - B a reconciliation of the two measures of key fiscal aggregates and an explanation of the differences.

Other measures of the key fiscal aggregates shall not be disclosed~~included in the financial report~~;

- (ii) where the key fiscal aggregates measured in accordance with the ABS GFS Manual do not differ from the key fiscal aggregates provided pursuant to paragraph 16, a statement of that fact; and
 - ~~(iii) information that corresponds to the information required to be disclosed in the notes by AASB 101, irrespective of the fact that, in relation to the operating statement, AASB 101 prescribes the preparation of two separate statements—an income statement and a statement of changes in equity; and~~
 - ~~(iv)~~(iii) explanations of key technical terms used ~~in the financial report~~; and
- (b) ~~by~~in the GGS ~~financial report~~:
- (i) a list of entities within the GGS, and any changes to that list that have occurred since the previous reporting date and the reasons for those changes;
 - (ii) a list of significant investments in PNFC sector and PFC sector entities, including:
 - A the name;
 - B proportion of ownership interest and, if different, proportion of voting power held; and
 - C the measurement basis adopted for the amount recognised in accordance with paragraph 20; and
 - (iii) the aggregate amount of dividends and other distributions to owners in their capacity as owners from PNFC sector and PFC sector entities to the GGS and the aggregate amount of the comprehensive result attributable to the GGS of the PNFC sector and PFC sector entities disclosed in the whole of government statement of comprehensive income operating statement by sector for the reporting period.

42 In relation to the requirements in paragraph 41(a)(i), differences in the key fiscal aggregates determined under the ABS GFS Manual and pursuant to paragraph 16 of this Standard arise from differences in definition, recognition, measurement and certain classification requirements. Each difference gives rise to the need for disclosure of a

reconciliation and an explanation of the difference. Examples of such differences include:

- (a) in a whole of government and GGS context:
 - (i) doubtful debts – although the ABS GFS Manual recognises bad debts written off, it does not recognise write-downs of accounts receivable in relation to doubtful debts;
 - (ii) provisions recognised as liabilities – in the absence of a counter-party recognising a related financial asset, the ABS GFS Manual does not recognise a liability arising from a constructive obligation;
 - (iii) inventories – under the ABS GFS Manual, inventories are measured at current prices, whereas under AASB 102 *Inventories* (as amended by AASB 2007-5 *Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities*), depending on their nature, inventories are measured at the lower of cost and net realisable value or at cost adjusted when applicable for any loss of service potential; and
 - (iv) investments in associates – under the ABS GFS Manual, those assets are measured at current prices where current prices exist, whereas under AASB 127 the equity method of accounting generally applies; and
- (b) in a whole of government context only:
 - (i) minority interest in controlled entities – under the ABS GFS Manual, minority interest is classified as a liability and measured at current prices, whereas under AASB 127 minority interest that is classified as equity is not remeasured; and
 - (ii) outgoing dividends – under the ABS GFS Manual, outgoing dividends are classified as an expense, whereas under AASB 101 a dividend is treated as a distribution to owners.

Illustrative Examples A and B illustrate some of these and other possible circumstances where differences arise and the manner in which they are reflected in reconciliation notes.

- 43 In relation to ~~the whole of government financial reports~~, for the purpose of paragraph 41(a)(i)A, the ABS GFS Manual key fiscal aggregate that corresponds to the requirement in paragraph 32(b) to present ‘total change in net worth before transactions with owners in their capacity as owners’ is ‘total change in net worth’ (after transactions with owners in their capacity as owners). Accordingly, the reconciliation required to be disclosed ~~by~~ in the whole of government ~~financial report~~ by paragraph 41(a)(i)B is from ‘total change in net worth before transactions with owners in their capacity as owners’ as presented in accordance with paragraph 32(b) to ‘total change in net worth’ measured in accordance with the ABS GFS Manual. As noted in paragraph ~~34B26~~, transactions with owners in their capacity as owners do not arise in a GGS context.
- 44 Some differences between GAAP and GFS requirements relate to differences in classification or differences in consolidation eliminations that do not cause a difference in measurements of key fiscal aggregates and therefore do not need to be included in the reconciliation notes. However, they do give rise to the need for explanations of the differences to be disclosed ~~in the financial report~~. Examples of such differences include:
- (a) for both ~~the whole of government and the GGS financial reports~~:
- (i) AASB 132 *Financial Instruments: Presentation* classifies certain prepaid expenses as non-financial assets, whereas the ABS GFS Manual classifies them as financial assets;
 - (ii) AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* may classify an amount within provisions, whereas the ABS GFS Manual classifies them as accounts payable;
 - (iii) paragraph 31(a)(iv) of this Standard notes that consumption of capital of investment property is classified separately from depreciation, whereas the ABS GFS Manual classifies it as depreciation; and
 - (iv) AASB 107 classifies cash used to purchase defence weapons platforms that are capitalised as cash flows from investing activities, whereas the ABS GFS Manual classifies them as cash flows from operating activities; and
- (b) for ~~the whole of government financial reports~~, consolidation eliminations. Under the ABS GFS Manual, certain transactions between the GGS and entities within the PNFC sector and PFC

sector are not eliminated on whole of government consolidation, whereas under AASB 127 intragroup transactions that are not, in substance, transactions with external parties are eliminated in full. The GFS treatment has the effect of ‘grossing up’ both GFS revenue and GFS expenses by equal amounts and though the key fiscal aggregates remain the same, the differences in GAAP and GFS revenues and expenses should be disclosed. For example, a GGS may compensate a PNFC sector entity for a community service obligation, imposed by the GGS, that requires the PNFC sector entity to provide free services to a cohort of private individuals. The compensation provided by the GGS to the PNFC sector entity is not eliminated for whole of government reporting under the ABS GFS Manual (instead it is ‘rerouted’ through the household sector of the economy and therefore treated as an expense of the GGS to the household sector, and an expense of the household sector to the PNFC sector entity, and therefore revenue of the PNFC sector entity).

- 45 The GGS ~~financial report~~ is not subject to the disclosures required by paragraphs ~~40, 41, 42, 43~~ and ~~Aus 43.142.1~~ of AASB 127 relating to investments in subsidiaries, jointly controlled entities and associates. The requirements in those paragraphs are either addressed elsewhere in this Standard or are not significant for GGS financial reporting.
- 46 In relation to the requirement in paragraph 41(a)(~~v~~iii) to disclose explanations of key technical terms, key technical terms include:
- (a) transactions;
 - (b) other economic flows;
 - (c) net operating balance;
 - (d) net lending/(borrowing);
 - (e) financial assets;
 - (f) non-financial assets;
 - (g) net worth;
 - (h) cash surplus/(deficit);
 - (i) operating result;
 - (j) comprehensive result (total change in net worth [before transactions with owners in their capacity as owners]);

- (k) total change in net worth; and
- (l) net debt.

An example of the disclosures required by paragraph 41(a)(iv) is provided in Illustrative Example D.

- 47 Paragraph ~~112403~~ of AASB 101 requires additional information to be provided in notes that is not presented in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows ~~on the face of the financial statements~~ but is relevant to an understanding of them. Consistent with this, the components of aggregate numbers presented in those statements ~~on the face of the financial statements~~, including key fiscal aggregates, are disclosed in the notes where relevant.

Functional Information

- 48 **In respect of each broad function identified in Table 2.6 “Government Purpose Classification: Major Groups” of the ABS GFS Manual, the whole of government ~~financial report~~ and the GGS financial report shall disclose by way of note:**
- (a) **a description of that function;**
 - (b) **the carrying amount of assets recognised in the respective statements of financial position ~~balance sheets~~ that are reliably attributable to that function; and**
 - (c) **expenses, excluding losses, included in operating result in the respective statements of comprehensive income ~~operating statements~~ for the reporting period that are reliably attributable to that function.**
- 49 **The information provided by way of note in accordance with paragraph 48 shall be aggregated. A reconciliation of the aggregate amount of expenses, excluding losses, included in operating result to the aggregate of expenses from transactions recognised in the statement of comprehensive income ~~operating statement~~ shall be disclosed.**
- 50 Paragraph 48 requires disclosure of information about the recognised expenses, excluding losses, included in operating result and assets that are reliably attributable to broad functions determined to at least the ABS GFS Manual two-digit level of classification shown in Table 2.6. Disclosure of this information assists users in identifying the resources committed to particular functions and the costs of service delivery that

are reliably attributable to those functions. Functional classification of financial information, where it can be determined reliably, will also assist users in assessing the significance of financial or non-financial performance indicators reported by the government.

- 51 AASB 114 (AASB 8) does not apply to the whole of government financial reports or the GGS financial reports. The bases used in the ABS GFS Manual for identifying functions do not necessarily accord with the criteria for identifying segments contained in AASB 114 (AASB 8). However, ~~preparers of financial reports may find~~ AASB 114 (AASB 8) ~~may be~~ is useful in identifying the expenses, excluding losses, included in operating result and assets that are reliably attributable to each function. An example of the disclosures required by paragraphs (b) and (c) in respect of each function of the whole of government and the GGS is provided in Illustrative Examples A and B respectively.

Whole of Government Sector Information

- 52 ~~The whole of government financial report shall disclose by way of note, in respect of the GGS, PNFC sector and PFC sector as defined in the ABS GFS Manual:~~

- (a) a description of each sector;
- (b) for each sector:
 - (i) ~~a statement of financial position balance sheet, statement of comprehensive income operating statement, statement of changes in equity and statement of cash flows and cash flow statement~~ that are consistent with the whole of government's corresponding financial statements prepared in accordance with this Standard;
 - (ii) where the key fiscal aggregates measured in accordance with the ABS GFS Manual differ from the key fiscal aggregates determined in a manner consistent with paragraph 16 of this Standard:
 - A the key fiscal aggregates measured in accordance with the ABS GFS Manual; and
 - B a reconciliation of the two measures of key fiscal aggregates and an explanation of the differences.

Other measures of the key fiscal aggregates shall not be ~~disclosed~~~~included in the financial report~~; and

- (iii) where the key fiscal aggregates measured in accordance with the ABS GFS Manual do not differ from the key fiscal aggregates determined in a manner consistent with paragraph 16, a statement of that fact; and**
 - (c) a reconciliation between the information disclosed for the sectors in total and the corresponding information in the whole of government's statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows ~~financial statements~~ (see, for example, Illustrative Example A).**
- 53 Sector information prepared in accordance with paragraph (b) is determined before consolidation eliminations. Accordingly, GGS investments in PNFC sector and PFC sector entities are included in the GGS information that is disclosed ~~by~~~~in~~ the whole of government ~~financial report~~. They are measured at the carrying amount of net assets disclosed ~~by~~~~in~~ the whole of government ~~financial report~~ for the PNFC sector and PFC sector.
- 54 Notes to the sector statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows ~~financial statements~~, other than those required by paragraph 52, are not required to be disclosed.
- 55 In relation to the requirements in paragraph 52(b)(ii), differences in the key fiscal aggregates determined under the ABS GFS Manual and consistent with paragraph 16 of this Standard arise from differences in definition, recognition, measurement and certain classification requirements. Each difference gives rise to the need for disclosure of a reconciliation and an explanation of the difference. Examples of such differences for the PNFC sector and the PFC sector include those identified in paragraph 42 of this Standard, as well as:
- (a) ownership interest in PNFC sector and PFC sector entities – in contrast to Australian Accounting Standards, under the ABS GFS Manual, the carrying amount of ownership interest in PNFC sector and PFC sector entities is deducted in the determination of net worth of those sectors. In particular:**
 - (i) where the market value of ownership interest in PNFC sector and PFC sector entities is reliably measurable, GFS deducts it in determining net worth of those sectors.**

Accordingly, negative GFS net worth arises if the market value exceeds the recognised carrying amount of net assets. Under Australian Accounting Standards, the market value of ownership interest is not recognised; and

- (ii) where ownership interest in PNFC sector and PFC sector entities is measured by GFS at the carrying amount of net assets, GFS net worth is nil. Under Australian Accounting Standards, the carrying amount of net assets is not deducted in determining net worth; and
 - (b) deferred tax assets and deferred tax liabilities of PNFC sector and PFC sector entities – the ABS GFS Manual does not recognise deferred tax assets and deferred tax liabilities that are recognised by PNFC sector and PFC sector entities in accordance with AASB 112 *Income Taxes*. Consistent with the principle in paragraph 30 and the examples in paragraph 31, a related deferred tax revenue or expense recognised in accordance with AASB 112 is classified in the statement of comprehensive income~~operating statement~~ as a transaction or an other economic flow consistent with the underlying event giving rise to the deferred tax revenue or expense. For example, when a deferred tax liability arises from the revaluation of an asset, the related deferred tax expense is classified as an other economic flow because the asset revaluation itself is recognised as an other economic flow.
- 56 For the purpose of paragraph 52(b)(ii)A, the ABS GFS Manual key fiscal aggregate that corresponds to the requirement implicit in paragraph 52(b)(i) to present ‘total change in net worth before transactions with owners in their capacity as owners’ for the PNFC sector and PFC sector is ‘total change in net worth’ (after transactions with owners in their capacity as owners). Accordingly, the reconciliation required to be disclosed by paragraph 52(b)(ii)B is from ‘total change in net worth before transactions with owners in their capacity as owners’ as presented in accordance with paragraph 52(b)(i) to ‘total change in net worth’ measured in accordance with the ABS GFS Manual.
- 57 A government may choose to disclose sectors in addition to the GGS, PNFC sector and PFC sector. For example, a government may disclose information about the total non-financial public sector, comprising the GGS and PNFC sector. Where that is the case, the additional sectors are disclosed on a comparable basis to the information disclosed for the GGS, PNFC sector and PFC sector.

- 58 The sector ~~statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows~~ financial statements could be presented in a single schedule that includes an adjustments column to facilitate reconciliation to the ~~corresponding~~ whole of government ~~financial~~ statements in accordance with paragraph 52(c). Alternatively, ~~those~~ the sector financial statements may be presented in columns, with or without an adjustments column, ~~in on the face of~~ the whole of government ~~statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows~~ financial statements. Where an adjustments column is not provided ~~in on the face~~ those whole of government financial statements, the reconciliation required by paragraph 52(c) is provided in the notes. Disclosure of the individual eliminations between the sectors is not required.

Budgetary Information

- 59 Where ~~one or more of the following~~ whole of government ~~budgeted financial statements or GGS budgeted financial statements~~ ;
- ~~(a)~~ statements of financial position;
 - ~~(b)~~ statements of comprehensive income;
 - ~~(c)~~ statements of changes in equity; and
 - ~~(d)~~ statements of cash flows;
- ~~is or are presented to parliament, the whole of government financial report or GGS financial report, respectively, shall disclose for the reporting period of the financial report:~~
- ~~(a)~~(e) that original budgeted financial statement or those the original budgeted financial statements that were presented to parliament, presented on a basis that is consistent with the basis prescribed for ~~the~~ financial statements by this Standard; and
 - ~~(b)~~(f) explanations of major variances between the actual amounts presented in on the face of the that or those financial statements and corresponding original budget amounts.
- 60 Comparative budgetary information in respect of the previous period need not be disclosed.

- 61 The original budget is the first budget presented to parliament in respect of the reporting period. Amendments made to the budget by the executive are not reflected in the budgetary information that is required to be disclosed under paragraph 59.
- 62 Any revised budget that is presented to parliament during the reporting period may be disclosed in addition to the original budget.
- 63 For the purpose of this Standard, governments are required to report the financial information required by paragraph 59 about their original budgets for the reporting period that are presented to parliament. This facilitates users of financial statements~~financial reports~~ (including taxpayers) making and evaluating decisions about the allocation of scarce resources and for assessing the discharge of a government's accountability. The budget information is disclosed on the same basis, which includes in the same format, for the same scope and with the same content, as the accounting basis to facilitate a comparison of actuals against the budget.
- 64 ~~The face of the~~ The whole of government ~~financial statements and GGS statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows~~financial statements includes information about the government, as determined in accordance with this Standard. To the extent the first budget presented to parliament is not consistent with the information in the corresponding financial statements, the budget presented to parliament is restated for budget disclosure purposes to align with the accounting basis specified in this Standard. As the budget basis to be disclosed is consistent with the accounting basis, budget information may be presented ~~in on the face of the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows~~financial statements.
- 65 The explanations of major variances required to be disclosed by paragraph ~~59(f)~~59(b) are those relevant to an assessment of the discharge of accountability and to an analysis of performance of government. They include high-level explanations of the causes of major variances rather than merely the nature of the variances.

Transitional Requirements

65A The following transitional provisions shall not be applied by governments that have previously applied this Standard as issued in October 2007.

- 66 When adopting this Standard for the first time, a whole of government shall change the elections it previously made under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* only to the extent it is necessary to comply with the ABS GFS Manual. The changes to those elections shall be made as if they had been made at the whole of government's original AASB 1 transition date.
- 67 The first GGS ~~financial statements~~financial report prepared in accordance with this Standard shall apply AASB 1, with the exception of the requirements in paragraphs 38 to 46 relating to the explanation of transition to Australian equivalents to IFRSs and reconciliation from previous GAAP, having regard to the limitations on the elections under AASB 1 as imposed by paragraphs 13, 68(c) and 69 of this Standard.
- 68 For the purpose of this Standard:
- (a) Australian equivalents to IFRSs referred to in AASB 1 are those Australian Accounting Standards incorporated by cross-reference into this Standard as amended by this Standard;
 - (b) the date of transition of the GGS is the date of transition used in the whole of government ~~financial statements~~financial report; and
 - (c) elections made under AASB 1 for the GGS shall be aligned with the elections made for the whole of government, including those elections made in accordance with paragraph 66 of this Standard.
- 69 The optional relief provided in AASB 1 is not fully available to GGSs and whole of governments due to the effect of paragraph 13 of this Standard. For example, AASB 1 provides an optional exemption relating to fair value or revaluation as deemed cost of property, plant and equipment, intangible assets and investment property. To the extent the ABS GFS Manual requires fair value, this option in AASB 1 is not available.
- 70 The transitional approach in this Standard results in comparative period information being presented in the first GGS ~~financial statements~~financial report and the first whole of government ~~financial statements~~financial report prepared in accordance with this Standard.

APPENDIX A

DEFINED TERMS

This appendix is an integral part of AASB 1049.

ABS GFS Manual	The Australian Bureau of Statistics (ABS) publication <i>Australian System of Government Finance Statistics: Concepts, Sources and Methods</i> as updated from time to time.
cash surplus/(deficit)	Net cash flows from operating activities plus net cash flows from acquisition and disposal of non-financial assets less distributions paid less value of assets acquired under finance leases and similar arrangements. Defined in the ABS GFS Manual (paragraph 2.124).
General Government Sector (GGS)	Institutional sector comprising all <i>government units</i> and <i>non-profit institutions</i> controlled and mainly financed by government. Defined in the ABS GFS Manual (Glossary, page 256).
government	The Australian Government, the Government of the Australian Capital Territory, New South Wales, the Northern Territory, Queensland, South Australia, Tasmania, Victoria or Western Australia.
government units	Unique kinds of legal entities established by political processes which have legislative, judicial or executive authority over other <i>institutional units</i> within a given area and which: (i) provide goods and services to the community and/or individuals free of charge or at prices that are not economically significant; and (ii) redistribute income and wealth by means of taxes and other compulsory transfers. Defined in the ABS GFS Manual (Glossary, page 257).
institutional unit	An economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities. Defined in the ABS GFS Manual (Glossary, page 257).

key fiscal aggregates	Referred to as analytical balances in the ABS GFS Manual, are data identified in the ABS GFS Manual as useful for macro-economic analysis purposes, including assessing the impact of a government and its sectors on the economy. They are: opening net worth, net operating balance, net lending/(borrowing), change in net worth due to revaluations, change in net worth due to other changes in the volume of assets, total change in net worth, closing net worth and cash surplus/(deficit).
net lending/(borrowing)	The financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. A positive result reflects a net lending position and a negative result reflects a net borrowing position. Based on the definition in the ABS GFS Manual (Glossary, page 259).
net operating balance	This is calculated as income from transactions minus expenses from transactions. Based on the definition in the ABS GFS Manual (Glossary, page 259).
net worth	Assets less liabilities and shares/contributed capital. For the GGS, net worth is assets less liabilities since shares and contributed capital is zero. It is an economic measure of wealth and reflects the contribution of governments to the wealth of Australia. Defined in the ABS GFS Manual (Glossary, page 259).
non-profit institution	A legal or social entity that is created for the purpose of producing or distributing goods and services but is not permitted to be a source of income, profit or other financial gain for the units that establish, control or finance it. Defined in the ABS GFS Manual (Glossary, page 260).

other economic flows	Changes in the volume or value of an asset or liability that do not result from transactions (i.e. revaluations and other changes in the volume of assets). Defined in the ABS GFS Manual (Glossary, page 260).
Public Financial Corporations (PFC) sector	Institutional sector comprising resident government controlled corporations and <i>quasi-corporations</i> mainly engaged in financial intermediation or provision of auxiliary financial services. Based on the definition in the ABS GFS Manual (Glossary, page 261).
Public Non-Financial Corporations (PNFC) sector	Institutional sector comprising resident government controlled corporations and quasi-corporations mainly engaged in the production of market goods and/or non-financial services. Based on the definition in the ABS GFS Manual (Glossary, page 261).
quasi-corporation	An unincorporated enterprise that functions as if it were a corporation, has the same relationship with its owner as a corporation, and keeps a separate set of accounts. Defined in the ABS GFS Manual (Glossary, page 261).
transactions	Interactions between two institutional units by mutual agreement or actions within a unit that it is analytically useful to treat as transactions. Defined in the ABS GFS Manual (Glossary, page 263).
whole of government general purpose financial statements financial report	A General purpose financial statements financial report prepared by a government that is prepared in accordance with Australian Accounting Standards, including AASB 127 <i>Consolidated and Separate Financial Statements</i> , and thereby separately recognises assets, liabilities, income, expenses and cash flows of all entities under the control of the government on a line-by-line basis.

ILLUSTRATIVE EXAMPLES

The following examples accompany, but are not part of, AASB 1049.

	<i>Page</i>
A Whole of Government Financial Statements <u>Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Selected Notes</u>	<u>6236</u>
B General Government Sector Financial Statements <u>Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Selected Notes</u>	<u>7856</u>
C Extract from the Note Containing the Summary of Significant Accounting Policies of a General Government Sector	<u>9980</u>
D Key Technical Terms Used in the Financial Reports <u>Complete Sets of Financial Statements</u>	<u>10182</u>

Illustrative Examples A and B provide examples of acceptable formats for whole of government and GGS financial statements respectively, that are consistent with the requirements of this Standard and the assumptions made for the purpose of the illustrations. They also illustrate an acceptable style and format for reconciliation notes and functional information. Furthermore, sector information is illustrated for the whole of government in Illustrative Example A.

The styles and formats illustrated are not mandatory. Other styles and formats may be equally appropriate if they meet the requirements of this Standard.

To assist an understanding of the illustrations, particularly in relation to differences between GAAP and GFS, explanatory notes are provided at the end of Illustrative Example B and relate to both Illustrative Examples A and B. They do not form part of the illustrative financial statements or notes.

Illustrative Examples A and B do not purport to identify all possible differences between GAAP and GFS, nor to present ~~in on the face of~~ the financial statements all the line items as might be required by a different set of assumptions. Additionally, they do not illustrate the disclosure of comparative

period information or the notes required by paragraphs 39³, 41 (except the relevant reconciliation notes)⁴, 52(a) and the explanation of differences required by 52(b)(ii)B. They also do not illustrate the disclosure requirements of budgetary information (paragraphs 59-65), nor all the disclosures required by other Australian Accounting Standards.

The amounts used are based on assumptions made for illustrative purposes only.

³ Illustrative Example C provides an example of the information to be included in the summary of significant accounting policies of the GGS in accordance with paragraph 39(b).

⁴ Illustrative Example D provides an example of the information to be included in the other explanatory notes of the whole of government and GGS regarding explanations of key technical terms in accordance with paragraph 41(a)(iv).

ILLUSTRATIVE EXAMPLE A

Whole of Government Financial Statements – Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Selected Notes

Statement of Comprehensive Income ~~Operating Statement~~ for the Whole of Government of the ABC Government for the Year Ended 30 June 20XX

	Notes	\$m
Revenue from Transactions		
Taxation revenue		209,178
Other revenue		
Interest, other than swap interest		3,298
Dividends from associates (part of share of net profit/(loss) from associates)		3
Sales of goods and services		12,862
Other current revenues		<u>2,792</u>
		228,133
Expenses from Transactions		
Employee benefits expenses		
Wages, salaries and supplements		(20,866)
Superannuation		(2,477)
Use of goods and services		(40,710)
Depreciation		(3,823)
Interest, other than swap interest and superannuation interest expenses		(4,841)
Subsidy expenses		(5,253)
Grants		(69,494)
Social benefits		(71,730)
Superannuation net interest expenses		(4,902)
Loss on write-off of financial assets at fair value through operating result		<u>(380)</u>
		<u>(224,476)</u>
NET RESULT FROM TRANSACTIONS – NET OPERATING BALANCE		3,657

Other Economic Flows – Included in Operating Result

Other revenue		
Net swap interest revenue		577
Net foreign exchange gains		2,120
Net gain on sale of non-financial assets		343
Net gain on financial assets or liabilities at fair value through operating result		265
Net actuarial gains ^a		866
Amortisation of non-produced assets		(119)
Doubtful debts		(604)
Share of net profit/(loss) from associates, excluding dividends		(26)
		<u>3,422</u>
OPERATING RESULT		<u>7,079</u>

Other Economic Flows – Other Non-owner ~~Changes~~ Movements in Equity

Revaluations		1,589
Net gain on financial assets measured at fair value		2,946
		<u>4,535</u>

COMPREHENSIVE RESULT – TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS**11,614****KEY FISCAL AGGREGATES**

NET LENDING/(BORROWING)	S2	5,100
<i>plus</i> Net acquisition/(disposal) of non-financial assets from transactions		<u>(1,443)</u>
NET OPERATING BALANCE	S1	3,657
<i>plus</i> Net other economic flows		7,957
TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS <u>IN THEIR CAPACITY AS OWNERS</u>	S3	<u>11,614</u>

^a Explanatory note: As noted in paragraph 14(c) of this Standard, an alternative treatment of net actuarial gains relating to defined benefit superannuation plans [consistent with paragraph 93B of AASB 119 *Employee Benefits*] would be to recognise them in full through other non-owner changes in equity (which is part of comprehensive result), present them under the heading 'Other Non-Owner Movements in Equity'. Choosing that option would (consistent with AASB 119.93B) prevent the inclusion, on the face of the operating statement, of the opening and closing balances of accumulated surplus/(deficit) and the changes during the period (referred to in paragraph 97(b) of AASB 101 *Presentation of Financial Statements*).

**Statement of Financial Position Balance Sheet for the Whole of Government of the ABC Government
as at 30 June 20XX**

	Notes	\$m
Assets		
<i>Financial Assets</i>		
Cash and deposits		14,070
Accounts receivable		18,080
Securities other than shares		78,438
Loans		9,956
Advances		7,758
Shares and other equity		
Investments accounted for using equity method		695
Investments in other entities		1,142
		130,139
<i>Non-Financial Assets</i>		
Produced assets		
Inventories		5,346
Machinery and equipment		67,014
Buildings and structures		16,654
Intangibles		1,380
Valuables		6,867
Non-produced assets		
Land		9,876
Intangibles		1,193
		108,330
TOTAL ASSETS		238,469

Liabilities	
Deposits held	81,311
Accounts payable	5,080
Securities other than shares	21,520
Borrowing	9,346
Superannuation	89,858
Provisions	<u>30,298</u>
TOTAL LIABILITIES	<u>237,413</u>
NET ASSETS/(LIABILITIES)	<u>1,056</u>
Accumulated surplus/(deficit)	(33,041)
Other reserves	34,097
NET WORTH	T <u>1,056</u>

**Statement of Changes in Equity for the Whole of Government of the ABC Government
for the Year Ended 30 June 20XX**

	<u>Accumulated Surplus/(Deficit)</u>	<u>Asset Revaluation Reserve</u>	<u>Net Gain on Financial Assets</u>	<u>Total Equity</u>
<u>Notes</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
<u>Equity at 1 July 20XX-1</u>	<u>(40,120)</u>	<u>16,887</u>	<u>12,675</u>	<u>(10,558)</u>
<u>Total comprehensive result</u>	<u>7,079</u>	<u>1,589</u>	<u>2,946</u>	<u>11,614</u>
<u>EQUITY AT 30 JUNE 20XX</u>	<u>(33,041)</u>	<u>18,476</u>	<u>15,621</u>	<u>1,056</u>

**Statement of Cash Flows Statement for the Whole of Government of the ABC Government
for the Year Ended 30 June 20XX**

	Notes	\$m
Cash Flows from Operating Activities		
Cash received		
Taxes received		206,343
Sales of goods and services		10,624
Interest, excluding swap interest		3,298
Dividends from associates		3
Other receipts		3,161
		<u>223,429</u>
Cash paid		
Payments to and on behalf of employees		(19,996)
Purchases of goods and services		(41,019)
Interest, excluding swap interest		(4,841)
Subsidies		(5,253)
Grants		(69,494)
Social benefits		(70,597)
Other payments		(4,123)
		<u>(215,323)</u>
		8,106
NET CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Flows from Investing Activities		
<i>Non-Financial Assets</i>		
Sales of non-financial assets		3,036
Purchases of new non-financial assets		(5,238)
Net cash flows from investments in non-financial assets		<u>(2,202)</u>
<i>Financial Assets (Policy Purposes)</i>		
Purchases of investments		(1,641)
Net cash flows from investments in financial assets (policy purposes)		<u>(1,641)</u>

<i>Financial Assets (Liquidity Management Purposes)</i>	
Sales of investments	1,778
Purchases of investments	<u>(9,084)</u>
Net cash flows from investments in financial assets (liquidity management purposes)	(7,306)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(11,149)
Cash Flows from Financing Activities	
Cash received	
Borrowing	9,692
Deposits received	6,947
Swap interest	3,617
Other financing	<u>2,857</u>
	23,113
Cash paid	
Borrowing	(15,325)
Deposits paid	(1,841)
Swap interest	(3,040)
Other financing	<u>(1,870)</u>
	(22,076)
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,037
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,006)
Cash and cash equivalents at beginning of year	<u>16,076</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>14,070</u>
KEY FISCAL AGGREGATE	
Net cash flows from operating activities	8,106
Net cash flows from investments in non-financial assets	<u>(2,202)</u>
CASH SURPLUS/(DEFICIT)	<u>5,904</u>

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R1 Statement of Comprehensive Income Operating Statement for the Whole of Government by Sector of the ABC Government

	Notes	GGS \$m	PNFC sector \$m	PFC sector \$m	Eliminations \$m	Whole of Government \$m
Revenue from Transactions						
Taxation revenue		209,178	-	-	-	209,178
Other revenue						
Interest, other than swap interest		1,304	113	3,969	(2,088)	3,298
Dividends and income tax from other sector entities		1,399	-	-	(1,399)	-
Dividends from associates (part of share of net profit/(loss) from associates)	1	1	2	-	-	3
Sales of goods and services		4,314	6,079	3,677	(1,208)	12,862
Other current revenues		2,684	130	176	(198)	2,792
		218,880	6,324	7,822	(4,893)	228,133
Expenses from Transactions						
Employee benefits expenses						
Wages, salaries and supplements		(14,178)	(6,302)	(386)	-	(20,866)
Superannuation		(2,069)	(395)	(13)	-	(2,477)
Use of goods and services		(37,898)	(2,855)	(550)	593	(40,710)
Depreciation		(3,672)	(125)	(26)	-	(3,823)
Interest, other than swap interest and superannuation interest expenses		(4,201)	(513)	(2,215)	2,088	(4,841)
Subsidy expenses		(5,742)	-	-	489	(5,253)
Grants		(69,692)	-	-	198	(69,494)
Social benefits		(71,856)	-	-	126	(71,730)
Income tax expenses		-	(200)	(151)	351	-
Superannuation net interest expenses		(4,898)	(3)	(1)	-	(4,902)
Loss on write-off of financial assets at fair value through operating result		(380)	-	-	-	(380)
		(214,586)	(10,393)	(3,342)	3,845	(224,476)
NET RESULT FROM TRANSACTIONS – NET OPERATING BALANCE		4,294	(4,069)	4,480	(1,048)	3,657

Other Economic Flows – Included in Operating Result

Other revenue					
Net swap interest revenue	340	69	168	-	577
Dividends from other sector entities	300	-	-	(300)	-
Net foreign exchange gains/(losses)	599	(3)	1,524	-	2,120
Net gain on sale of non-financial assets	200	145	(2)	-	343
Net gain on financial assets or liabilities at fair value through operating result	220	-	45	-	265
Net actuarial gains	840	21	5	-	866
Amortisation of non-produced assets	(75)	(43)	(1)	-	(119)
Doubtful debts	(500)	(63)	(41)	-	(604)
Share of net profit/(loss) from associates, excluding dividends	(51)	25	-	-	(26)
	1,873	151	1,698	(300)	3,422
OPERATING RESULT	6,167	(3,918)	6,178	(1,348)	7,079

Other Economic Flows – Other Non-owner ~~Changes~~Movements_ in Equity

Revaluations	1,552	20	17	-	1,589
Net gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/(liabilities)	1,072	-	-	(1,072)	-
Net gain on financial assets measured at fair value	1,000	15	1,931	-	2,946
	3,624	35	1,948	(1,072)	4,535

COMPREHENSIVE RESULT – TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS

	9,791	(3,883)	8,126	(2,420)	11,614
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KEY FISCAL AGGREGATES

NET LENDING/(BORROWING)	S2	4,967	(3,347)	4,528	(1,048)	5,100
<i>plus</i> Net acquisition/(disposal) of non-financial assets from transactions		(673)	(722)	(48)	-	(1,443)
NET OPERATING BALANCE	S1	4,294	(4,069)	4,480	(1,048)	3,657
<i>plus</i> Net other economic flows		5,497	186	3,646	(1,372)	7,957
TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS <u>IN THEIR CAPACITY AS OWNERS</u>	S3	9,791	(3,883)	8,126	(2,420)	11,614

R2 Statement of Financial Position Balance Sheet for the Whole of Government by Sector of the ABC Government

	Notes	GGS \$m	PNFC sector \$m	PFC sector \$m	Eliminations \$m	Whole of Government \$m
Assets						
<i>Financial Assets</i>						
Cash and deposits		10,591	939	2,540	-	14,070
Accounts receivable		16,748	764	2,557	(1,989)	18,080
Securities other than shares		24,188	457	104,293	(50,500)	78,438
Loans		10,302	15	98	(459)	9,956
Advances		7,758	-	-	-	7,758
Shares and other equity						
Investments accounted for using equity method		365	330	-	-	695
Investments in other entities (excluding sector entities)		-	357	785	-	1,142
Investments in other sector entities		32,759	-	-	(32,759)	-
		102,711	2,862	110,273	(85,707)	130,139
<i>Non-Financial Assets</i>						
Produced assets						
Inventories		4,832	502	12	-	5,346
Machinery and equipment		54,367	12,546	101	-	67,014
Buildings and structures		14,152	1,821	681	-	16,654
Intangibles		1,250	115	15	-	1,380
Valuables		6,442	358	67	-	6,867
Non-produced assets						
Land		5,196	4,327	353	-	9,876
Intangibles		747	428	18	-	1,193
		86,986	20,097	1,247	-	108,330
TOTAL ASSETS		189,697	22,959	111,520	(85,707)	238,469

Liabilities					
Deposits held	364	10	80,937	-	81,311
Accounts payable	5,253	150	1,666	(1,989)	5,080
Securities other than shares	60,650	500	10,870	(50,500)	21,520
Borrowing	6,246	359	3,200	(459)	9,346
Deferred tax liability	-	506	-	(506)	-
Superannuation	88,540	768	550	-	89,858
Provisions	28,094	659	1,545	-	30,298
TOTAL LIABILITIES	189,147	2,952	98,768	(53,454)	237,413
NET ASSETS/(LIABILITIES)	550	20,007	12,752	(32,253)	1,056
Contributed Equity	-	6,900	350	(7,250)	-
Accumulated surplus/(deficit)	(19,252)	10,857	863	(25,509)	(33,041)
	<u>(20,324)</u>			<u>(24,437)</u>	
Other reserves	19,802	2,250	11,539	506	34,097
	<u>20,874</u>			<u>(566)</u>	
NET WORTH	550	20,007	12,752	(32,253)	1,056

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R3 Statement of Changes in Equity for the Whole of Government by Sector of the ABC Government for the Year Ended 30 June 20XX

	<u>Contributed Equity</u>		<u>Accumulated Surplus/(Deficit)</u>		<u>Asset Revaluation Reserve</u>			<u>Net Gain on Equity Investments in Other Sector Entities</u>	<u>Net Gain on Other Financial Assets</u>		<u>Eliminations</u>	<u>Total</u>		
	<u>PNFC sector</u>	<u>PFC sector</u>	<u>GNSS</u>	<u>PNFC sector</u>	<u>PFC sector</u>	<u>GNSS</u>	<u>PNFC sector</u>	<u>PFC sector</u>	<u>GNSS</u>	<u>PNFC sector</u>			<u>PFC sector</u>	
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>			<u>\$m</u>	<u>Whole of Government</u>
<u>Equity at 1 July 20XX-1</u>	6,900	350	(26,491)	14,775	(5,315)	12,661	2,030	1,690	-	4,589	185	7,901	(29,833)	(10,558)
<u>Total comprehensive result</u>	-	-	6,167	(3,918)	6,178	1,552	20	17	1,072	1,000	15	1,931	(2,420)	11,614
<u>EQUITY AT 30 JUNE 20XX</u>	<u>6,900</u>	<u>350</u>	<u>(20,324)</u>	<u>10,857</u>	<u>863</u>	<u>14,213</u>	<u>2,050</u>	<u>1,707</u>	<u>1,072</u>	<u>5,589</u>	<u>200</u>	<u>9,832</u>	<u>(32,253)</u>	<u>1,056</u>

Explanatory note: Shares and contributed equity do not exist in a GGS context.

**R43 Statement of Cash Flows Statement for the Whole of Government by Sector of the ABC Government
for the Year Ended 30 June 20XX**

	Notes	GGS \$m	PNFC sector \$m	PFC sector \$m	Eliminations \$m	Whole of Government \$m
Cash Flows from Operating Activities						
Cash received						
Taxes received		206,343	-	-	-	206,343
Sales of goods and services		4,314	5,615	1,899	(1,204)	10,624
Interest, excluding swap interest		1,304	113	3,969	(2,088)	3,298
Dividends and income tax receipts		1,399	-	-	(1,399)	-
Dividends from associates		1	2	-	-	3
Other receipts		2,935	275	159	(208)	3,161
		<u>216,296</u>	<u>6,005</u>	<u>6,027</u>	<u>(4,899)</u>	<u>223,429</u>
Cash paid						
Income tax paid		-	(200)	(151)	351	-
Payments to and on behalf of employees		(16,247)	(3,397)	(352)	-	(19,996)
Purchases of goods and services		(37,898)	(3,151)	(559)	589	(41,019)
Interest, excluding swap interest		(4,201)	(513)	(2,215)	2,088	(4,841)
Subsidies		(5,742)	-	-	489	(5,253)
Grants		(69,692)	-	-	198	(69,494)
Social benefits		(70,723)	-	-	126	(70,597)
Other payments		(2,134)	(1,157)	(842)	10	(4,123)
		<u>(206,637)</u>	<u>(8,418)</u>	<u>(4,119)</u>	<u>3,851</u>	<u>(215,323)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		9,659	(2,413)	1,908	(1,048)	8,106
Cash Flows from Investing Activities						
<i>Non-Financial Assets</i>						
Sales of non-financial assets		1,734	1,234	68	-	3,036
Purchases of new non-financial assets		(4,504)	(689)	(45)	-	(5,238)
Net cash flows from investments in non-financial assets		<u>(2,770)</u>	<u>545</u>	<u>23</u>	<u>-</u>	<u>(2,202)</u>
<i>Financial Assets (Policy Purposes)</i>						
Dividends received out of proceeds from sale of PNFC sector assets		300	-	-	(300)	-
Purchases of investments		(1,641)	-	-	-	(1,641)
Net cash flows from investments in financial assets (policy purposes)		<u>(1,341)</u>	<u>-</u>	<u>-</u>	<u>(300)</u>	<u>(1,641)</u>

Financial Assets (Liquidity Management Purposes)

Sales of investments	500	45	1,977	(744)	1,778
Purchases of investments	(3,500)	(5)	(9,934)	4,355	(9,084)
Net cash flows from investments in financial assets (liquidity management purposes)	(3,000)	40	(7,957)	3,611	(7,306)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(7,111)	585	(7,934)	3,311	(11,149)
Cash Flows from Financing Activities					
Cash received					
Borrowing	13,597	450	-	(4,355)	9,692
Deposits received	899	20	6,028	-	6,947
Swap interest	1,912	110	1,595	-	3,617
Other financing	233	169	2,455	-	2,857
	16,641	749	10,078	(4,355)	23,113
Cash paid					
Borrowing	(15,032)	(677)	(360)	744	(15,325)
Deposits paid	(213)	(7)	(1,621)	-	(1,841)
Swap interest	(1,572)	(41)	(1,427)	-	(3,040)
Dividends paid out of proceeds from sale of assets	-	(300)	-	300	-
Other dividends paid	-	(259)	(789)	1,048	-
Other financing	(765)	(990)	(115)	-	(1,870)
	(17,582)	(2,274)	(4,312)	2,092	(22,076)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(941)	(1,525)	5,766	(2,263)	1,037
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,607	(3,353)	(260)	-	(2,006)
Cash and cash equivalents at beginning of year	8,984	4,292	2,800	-	16,076
CASH AND CASH EQUIVALENTS AT END OF YEAR	10,591	939	2,540	-	14,070
KEY FISCAL AGGREGATE					
Net cash flows from operating activities	9,659	(2,413)	1,908	(1,048)	8,106
Net cash flows from investments in non-financial assets	(2,770)	545	23	-	(2,202)
Dividends paid out of proceeds from sale of assets	-	(300)	-	300	-
Other dividends paid	-	(259)	(789)	1,048	-
CASH SURPLUS/(DEFICIT)	6,889	(2,427)	1,142	300	5,904

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	GGG	PNFC sector	PFC sector	Eliminations	Whole of Government	Explanatory Notes
Notes	\$m	\$m	\$m	\$m	\$m	
Note S1 – Reconciliation to GFS Net Operating Balance*						
Net result from transactions – net operating balance	4,294	(4,069)	4,480	(1,048)	3,657	
Convergence differences						
Use of goods and services – defence weapons	(2,040)	-	-	-	(2,040)	a(i)
– development costs	(45)	(41)	-	-	(86)	a(ii)
Depreciation – defence weapons	2,104	-	-	-	2,104	b(i)
– development costs	6	5	-	-	11	b(ii)
Social benefits	94	-	-	-	94	c
Dividends to GGS from other sector entities	-	(259)	(789)	1,048	-	d
Total convergence differences	119	(295)	(789)	1,048	83	
GFS NET OPERATING BALANCE	4,413	(4,364)	3,691	-	3,740	e
Note S2 – Reconciliation to GFS Net Lending/(Borrowing)*						
Net lending/(borrowing)	4,967	(3,347)	4,528	(1,048)	5,100	
Convergence differences						
Relating to net operating balance	S1 119	(295)	(789)	1,048	83	
Relating to net acquisition/(disposal) of non-financial assets from transactions	(100)	(7)	(1)	-	(108)	f
Total convergence differences	19	(302)	(790)	1,048	(25)	
GFS NET LENDING/(BORROWING)	4,986	(3,649)	3,738	-	5,075	

Note S3 – Reconciliation to GFS Total Change in Net Worth*

Comprehensive result – total change in net worth before transactions with owners <u>in their capacity</u> as owners		9,791	(3,883)	8,126	(2,420)	11,614	
Convergence differences							
Relating to net operating balance	S1	119	(295)	(789)	1,048	83	
Relating to other economic flows							
Dividends to GGS out of proceeds from sale of PNFC sector assets		(300)	-	-	300	-	g
Doubtful debts		500	63	41	-	604	h
Net gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/(liabilities)		390	-	-	(390)	-	i
Share of net profit/(loss) from associates (excluding dividends)		51	-	-	-	51	j
Revaluations – defence weapons		920	-	-	-	920	k(i)
Revaluations – market value of investments		(55)	-	-	-	(55)	k(ii)
Revaluations – intangible assets		130	12	-	-	142	k(iii)
Revaluations – property		-	10	-	(10)	-	k(iv)
Remeasurement of shares and other contributed capital		-	4,093	(7,378)	3,285	-	l
Total convergence differences		1,755	3,883	(8,126)	4,233	1,745	
GFS TOTAL CHANGE IN NET WORTH		11,546	-	-	1,813	13,359	

*Determined in accordance with the ABS GFS Manual.

	GGS	PNFC sector	PFC sector	Eliminations	Whole of Government	Explanatory Notes
Notes	\$m	\$m	\$m	\$m	\$m	
Note T – Reconciliation to GFS Net Worth*						
Net worth	550	20,007	12,752	(32,253)	1,056	
Convergence differences						
Assets						
Accounts receivable	1,800	165	298	-	2,263	m
Shares and other equity						
Investments accounted for using equity method	36	-	-	-	36	n
Investments in other sector entities	900	-	-	(900)	-	o
Non-financial assets						
Machinery and equipment	(30,745)	-	-	-	(30,745)	p
Intangible assets – research and development	(400)	(69)	-	-	(469)	q(i)
Intangible assets – no active market	150	-	-	-	150	q(ii)
Liabilities						
Provisions	94	-	-	-	94	r(i)
Deferred tax liability	-	506	-	(506)	-	r(ii)
Shares and other contributed capital	-	(20,609)	(13,050)	33,659	-	s
Total convergence differences	(28,165)	(20,007)	(12,752)	32,253	(28,671)	
GFS NET WORTH	(27,615)	-	-	-	(27,615)	t
Note U – Reconciliation to GFS Cash Surplus/(Deficit)*						
Cash surplus/(deficit)	6,889	(2,427)	1,142	300	5,904	
Convergence difference						
Adjustments to cash flows from investments in non-financial assets						
Finance leases and similar arrangements	(4)	-	-	-	(4)	u
GFS CASH SURPLUS/(DEFICIT)	6,885	(2,427)	1,142	300	5,900	v

*Determined in accordance with the ABS GFS Manual.

Disaggregated Information

Z Functional Classification for Whole of Government

	Expenses, excluding losses, included in operating result 20XX \$m	Assets 20XX \$m
General public services	(52,194)	10,009
Defence	(13,018)	55,759
Public order and safety	(2,521)	5,587
Education	(14,156)	8,645
Health	(32,569)	2,002
Social security and welfare	(70,139)	4,045
Housing and community amenities	(1,727)	5,533
Recreation and culture	(2,291)	3,003
Fuel and energy	(1,546)	990
Agriculture, forestry, fishing and hunting	(3,711)	2,572
Mining and mineral resources, other than fuels; manufacturing; and construction	(3,756)	2,515
Transport and communications	(9,509)	37,051
Other economic affairs	(1,502)	1,046
Other purposes ^b	(15,576)	99,712
TOTAL	(224,215)	238,469

^b Explanatory note: For the purpose of this illustration, financial assets that are not allocated to other functions are included in the 'Other purposes' function.

Reconciliation of 'expenses, excluding losses, included in the operating result' to 'expenses from transactions' in the statement of comprehensive income operating statement

	20XX \$m
Expenses from transactions	224,476
Less: loss on write-off of financial assets at fair value through operating result	(380)
	<u>224,096</u>
Plus: amortisation of non-produced assets	119
Expenses, excluding losses, included in operating result	<u>224,215</u>

ILLUSTRATIVE EXAMPLE B

General Government Sector Financial Statements Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Selected Notes

Statement of Comprehensive Income~~Operating Statement~~ for the General Government Sector of the ABC Government for the Year Ended 30 June 20XX

	Notes	\$m
Revenue from Transactions		
Taxation revenue		209,178
Other revenue		
Interest, other than swap interest		1,304
Dividends and income tax from other sector entities		1,399
Dividends from associates (part of share of net profit/(loss) from associates)		1
Sales of goods and services		4,314
Other current revenues		<u>2,684</u>
		218,880
Expenses from Transactions		
Employee <u>benefits</u> expenses		
Wages, salaries and supplements		(14,178)
Superannuation		(2,069)
Use of goods and services		(37,898)
Depreciation		(3,672)
Interest, other than swap interest and superannuation interest expenses		(4,201)
Subsidy expenses		(5,742)
Grants		(69,692)
Social benefits		(71,856)
Superannuation net interest expenses		(4,898)
Loss on write-off of financial assets at fair value through operating result		<u>(380)</u>
		(214,586)
NET RESULT FROM TRANSACTIONS – NET OPERATING BALANCE		<u>4,294</u>

Other Economic Flows – Included in Operating Result		
Other revenue		
Net swap interest revenue		340
Dividends from other sector entities		300
Net foreign exchange gains		599
Net gain on sale of non-financial assets		200
Net gain on financial assets or liabilities at fair value through operating result		220
Net actuarial gains ^a		840
Amortisation of non-produced assets		(75)
Doubtful debts		(500)
Share of net profit/(loss) from associates, excluding dividends		(51)
		<u>1,873</u>
OPERATING RESULT		<u>6,167</u>
Other Economic Flows – Other Changes Movements in Equity		
Revaluations		1,552
Net gain on equity investments in other sector entities measured at proportional share of carrying amount of net assets/(liabilities)		1,072
Net gain on financial assets measured at fair value		<u>1,000</u>
		3,624
COMPREHENSIVE RESULT – TOTAL CHANGE IN NET WORTH		<u>9,791</u>
KEY FISCAL AGGREGATES		
NET LENDING/(BORROWING)	S2	4,967
<i>plus</i> Net acquisition/(disposal) of non-financial assets from transactions		<u>(673)</u>
NET OPERATING BALANCE	S1	4,294
<i>plus</i> Net other economic flows		5,497
TOTAL CHANGE IN NET WORTH	S3	<u>9,791</u>

^a Explanatory note: As noted in paragraph 14(c) of the Standard, an alternative treatment of net actuarial gains relating to defined benefit superannuation plans [consistent with paragraph 93B of AASB 119 *Employee Benefits*] would be to recognise them in full through other non-owner changes in equity (which is part of comprehensive result). ~~present them under the heading ‘Other Movements in Equity’. Choosing that option would (consistent with AASB 119.93B) prevent the inclusion, on the face of the operating statement, of the opening and closing balances of accumulated surplus/(deficit) and the changes during the period (referred to in paragraph 97(b) of AASB 101 *Presentation of Financial Statements*).~~

**Statement of Financial Position Balance Sheet for the General Government Sector of the ABC
Government as at 30 June 20XX**

	Notes	\$m
Assets		
<i>Financial Assets</i>		
Cash and deposits		10,591
Accounts receivable		16,748
Securities other than shares		24,188
Loans		10,302
Advances		7,758
Shares and other equity		
Investments accounted for using equity method		365
Investments in other sector entities		32,759
		102,711
<i>Non-Financial Assets</i>		
Produced assets		
Inventories		4,832
Machinery and equipment		54,367
Buildings and structures		14,152
Intangibles		1,250
Valuables		6,442
Non-produced assets		
Land		5,196
Intangibles		747
		86,986
TOTAL ASSETS		189,697

Liabilities	
Deposits held	364
Accounts payable	5,253
Securities other than shares	60,650
Borrowing	6,246
Superannuation	88,540
Provisions	28,094
TOTAL LIABILITIES	<u>189,147</u>
NET ASSETS/(LIABILITIES)	<u>550</u>
Accumulated surplus/(deficit)	(19,252)
	(20,324)
Other reserves	49,802
	20,874
NET WORTH	T <u><u>550</u></u>

**Statement of Changes in Equity for the General Government Sector of the ABC Government
for the Year Ended 30 June 20XX**

	<u>Accumulated Surplus/Deficit</u>	<u>Asset Revaluation Reserve</u>	<u>Net Gain on Equity Investments in Other Sector Entities</u>	<u>Net Gain on Other Financial Assets</u>	<u>Total Equity</u>
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
<u>Equity at 1 July 20XX-1</u>	<u>(26,491)</u>	<u>12,661</u>	<u>-</u>	<u>4,589</u>	<u>(9,241)</u>
<u>Total comprehensive result</u>	<u>6,167</u>	<u>1,552</u>	<u>1,072</u>	<u>1,000</u>	<u>9,791</u>
<u>EQUITY AT 30 JUNE 20XX</u>	<u>(20,324)</u>	<u>14,213</u>	<u>1,072</u>	<u>5,589</u>	<u>550</u>

**Statement of Cash Flows Statement for the General Government Sector of the ABC
Government for the Year Ended 30 June 20XX**

	Notes	\$m
Cash Flows from Operating Activities		
Cash received		
Taxes received		206,343
Sales of goods and services		4,314
Interest, excluding swap interest		1,304
Dividends and income tax receipts		1,399
Dividends from associates		1
Other receipts		2,935
		<u>216,296</u>
Cash paid		
Payments to and on behalf of employees		(16,247)
Purchases of goods and services		(37,898)
Interest, excluding swap interest		(4,201)
Subsidies		(5,742)
Grants		(69,692)
Social benefits		(70,723)
Other payments		(2,134)
		<u>(206,637)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		9,659
Cash Flows from Investing Activities		
<i>Non-Financial Assets</i>		
Sales of non-financial assets		1,734
Purchases of new non-financial assets		(4,504)
Net cash flows from investments in non-financial assets		<u>(2,770)</u>
<i>Financial Assets (Policy Purposes)</i>		
Dividends received out of proceeds from sale of PNFC sector assets		300
Purchases of investments		(1,641)
Net cash flows from investments in financial assets (policy purposes)		<u>(1,341)</u>

Financial Assets (Liquidity Management Purposes)	
Sales of investments	500
Purchases of investments	(3,500)
Net cash flows from investments in financial assets (liquidity management purposes)	<u>(3,000)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	(7,111)
Cash Flows from Financing Activities	
Cash received	
Borrowing	13,597
Deposits received	899
Swap interest	1,912
Other financing	<u>233</u>
	16,641
Cash paid	
Borrowing	(15,032)
Deposits paid	(213)
Swap interest	(1,572)
Other financing	<u>(765)</u>
	(17,582)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>(941)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>1,607</u>
Cash and cash equivalents at beginning of year	8,984
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>10,591</u>
KEY FISCAL AGGREGATE	
Net cash flows from operating activities	9,659
Net cash flows from investments in non-financial assets	<u>(2,770)</u>
CASH SURPLUS/(DEFICIT)	<u>6,889</u>

U

Note S1 – Reconciliation to GFS Net Operating Balance*			Explanatory
	Notes	\$m	Notes
Net result from transactions – net operating balance		4,294	
Convergence differences			
Use of goods and services – defence weapons		(2,040)	a(i)
– development costs		(45)	a(ii)
Depreciation – defence weapons		2,104	b(i)
– development costs		6	b(ii)
Social benefits		94	c
Total convergence differences		119	
GFS NET OPERATING BALANCE		4,413	e
Note S2 – Reconciliation to GFS Net Lending/(Borrowing)*			
Net lending/(borrowing)		4,967	
Convergence differences			
Relating to net operating balance	S1	119	
Relating to net acquisition/(disposal) of non-financial assets from transactions		(100)	f
Total convergence differences		19	
GFS NET LENDING/(BORROWING)		4,986	
Note S3 – Reconciliation to GFS Total Change in Net Worth*			
Comprehensive result – total change in net worth		9,791	
Convergence differences			
Relating to net operating balance	S1	119	
Relating to other economic flows			
Dividends to GGS out of proceeds from sale of PNFC sector assets		(300)	g
Doubtful debts		500	h
Net gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/(liabilities)		390	i
Share of net profit/(loss) from associates (excluding dividends)		51	j
Revaluations – defence weapons		920	k(i)
Revaluations – market value of investments		(55)	k(ii)
Revaluations – intangible assets		130	k(iii)
Total convergence differences		1,755	
GFS TOTAL CHANGE IN NET WORTH		11,546	

*Determined in accordance with the ABS GFS Manual.

Note T – Reconciliation to GFS Net Worth*

	Notes	\$m	Explanatory Notes
Net worth		550	
Convergence differences			
Assets			
Accounts receivable		1,800	m
Shares and other equity			
Investments accounted for using equity method		36	n
Investments in other sector entities		900	o
Non-financial assets			
Machinery and equipment		(30,745)	p
Intangible assets – research and development		(400)	q(i)
Intangible assets – no active market		150	q(ii)
Liabilities			
Provisions		94	r(i)
Total convergence differences		<u>(28,165)</u>	
GFS NET WORTH		(27,615)	t

Note U – Reconciliation to GFS Cash Surplus/(Deficit)*

Cash surplus/(deficit)		6,889	
Convergence differences			
Adjustments to cash flows from investments in non-financial assets			
Finance leases and similar arrangements		(4)	u
GFS CASH SURPLUS/(DEFICIT)		<u>6,885</u>	v

*Determined in accordance with the ABS GFS Manual.

Disaggregated Information

Z Functional Classification for General Government Sector

	Expenses, excluding losses, included in operating result 20XX \$m	Assets 20XX \$m
General public services	(50,661)	7,149
Defence	(13,018)	55,759
Public order and safety	(2,401)	3,991
Education	(13,482)	6,175
Health	(31,971)	1,430
Social security and welfare	(69,036)	2,899
Housing and community amenities	(1,645)	3,952
Recreation and culture	(2,182)	2,145
Fuel and energy	(1,473)	707
Agriculture, forestry, fishing and hunting	(3,535)	1,837
Mining and mineral resources, other than fuels; manufacturing; and construction	(3,578)	1,797
Transport and communications	(4,295)	13,418
Other economic affairs	(1,431)	747
Other purposes ^b	(15,573)	87,691
TOTAL	(214,281)	189,697

^bExplanatory note: For the purpose of this illustration, financial assets that are not allocated to other functions are included in the 'Other purposes' function.

Reconciliation of 'expenses, excluding losses, included in operating result' to 'expenses from transactions' in the statement of comprehensive income-operating statement

	20XX \$m
Expenses from transactions	214,586
Less: loss on write-off of financial assets at fair value through operating result	(380)
	214,206
Plus: amortisation of non-produced assets	75
Expenses, excluding losses, included in operating result	214,281

Explanatory Notes Supporting Illustrative Examples A and B

The following notes are for explanatory purposes only, and do not form part of the financial statements or accompanying notes illustrated in Illustrative Examples A or B.

The notes provide explanations of the convergence differences between the key fiscal aggregates presented in each of the financial statements and GFS measures of the key fiscal aggregates for the whole of government (including the sectors) and GGS.

Convergence Differences relating to the Statements of Comprehensive Income Operating Statements

Net Operating Balance

a Expenses from Transactions – Use of Goods and Services

The convergence differences comprise:

- a(i)** (\$2,040m) in the GGS because GFS treats defence weapons and, by extension, their platforms as single-use goods and classifies them upon acquisition as expenses from transactions. However, the defence weapons are not recognised as use of goods and services expenses from transactions in the statement of comprehensive income~~operating statement~~, because they are recognised as assets upon acquisition (refer also to Note b(i)).

This difference flows through to the whole of government amounts.

- a(ii)** (\$45m) in the GGS and (\$41m) in the PNFC sector because GFS expenses certain development costs and classifies them as expenses from transactions. However, the development costs are not recognised as expenses from transactions in the statement of comprehensive income~~operating statement~~ because they are recognised as intangible assets upon acquisition. GFS treats goods and services used for research and development as use of goods and services expenses from transactions, rather than as acquisitions of intangible assets, even though some development activities are expected to bring benefits for more than one year (refer also to Note b(ii)).

The total difference of (\$86m) flows through to the whole of government amounts.

b Expenses from Transactions – Depreciation

The convergence differences comprise:

- b(i)** \$2,104m in the GGS because GFS does not recognise depreciation on defence weapons and their platforms, whereas it is recognised as an expense from transactions in the statement of comprehensive income ~~operating statement~~ (refer also to Note a(i)).

This difference flows through to the whole of government amounts.

- b(ii)** \$6m in the GGS and \$5m in the PNFC sector because GFS recognises a smaller amortisation of produced intangibles than is recognised as an expense from transactions in the statement of comprehensive income ~~operating statement~~. GFS treats goods and services used for research and development as use of goods and services expense from transactions, rather than as acquisitions of intangible assets, even though some development activities may bring benefits for more than one year (refer also to Note a(ii)).

The total difference of \$11m flows through to the whole of government amounts.

c Expenses from Transactions – Social Benefits

The convergence difference of \$94m in the GGS arises because GFS does not recognise a liability relating to the potential beneficiaries of a social benefit scheme who had not registered for benefits as at the reporting date. Therefore, GFS does not recognise the associated expense from transactions, whereas such an amount is recognised in the statement of comprehensive income ~~operating statement~~ and classified as expenses from transactions.

This difference flows through to the whole of government amounts.

d Dividends to GGS from Other Sector Entities

The convergence difference comprises (\$259m) in the PNFC sector and (\$789m) in the PFC sector because GFS treats dividends to owners as an expense, whereas such an amount is not recognised as an expense in the statement of comprehensive income ~~operating statement~~ because it is treated as a distribution to owners and therefore a direct debit to equity.

The total difference of (\$1,048m) does not flow through to the whole of government amounts as it arises from intersector transactions.

e Other Differences Included in the GFS Net Operating Balance

A classification difference arises in the whole of government and the GGS, because GFS classifies the debt security written off by mutual agreement of \$380m as a capital grant expense from transactions, whereas, although it is recognised as an expense from transactions in the statement of comprehensive income~~operating statement~~, it is classified as loss on write-off of financial assets at fair value through operating result. [For the purpose of Illustrative Examples A and B, the debt security is assumed to have satisfied the criteria in AASB 139 *Financial Instruments: Recognition and Measurement* for classification as a 'fair value through profit or loss' financial asset.] The write-off arose from the Government agreeing to forgive the outstanding debt of a Country. The classification difference has no impact on the amount of the GFS Net Operating Balance.

A GGS/PNFC elimination difference arises in respect of the treatment of \$25m of the social benefits. Under GFS, certain transactions between the GGS and entities within the PNFC and PFC sectors are not eliminated on consolidation, whereas under AASB 127 *Consolidated and Separate Financial Statements* intragroup transactions that are not in substance transactions with external parties are eliminated in full. The GFS treatment has the effect of 'grossing up' both GFS 'revenue from transactions – other current revenues' and GFS 'expenses from transactions – grants' of the whole of government by equal amounts even though the key fiscal aggregates remain the same. [For the purpose of this illustration, it is assumed the GGS has compensated a PNFC entity for \$25m of community service obligations, imposed by the GGS, that requires the PNFC entity to provide free services to a cohort of private individuals.] The compensation provided by the GGS to the PNFC entity is not eliminated under GFS (instead it is 'rerouted' through the household sector of the economy and therefore treated as an expense of the GGS to the household sector, and an expense of the household sector to the PNFC entity and therefore revenue of the PNFC entity). This convergence difference has no impact on the amount of the whole of government's GFS Net Operating Balance. This difference does not affect the GGS or the PNFC and PFC sectors but impacts the total of revenues and expenses in the whole of government statement of comprehensive income~~operating statement~~.

Net Lending/(Borrowing)

f Net Acquisition/(Disposal) of Non-Financial Assets from Transactions

The convergence differences are explained as follows:

	<u>Statement of Comprehensive Income Operating Statement</u> \$m	GFS \$m	Convergence Difference \$m	For explanations see notes
<i>GGs</i>				
Gross fixed capital formation	3,932	1,847	2,085	a(i)&(ii) b(i)&(ii) #
Depreciation	(3,747)	(1,562)	(2,185)	
Change in inventory	300	300	-	
Other transactions in non-financial assets	(1,158)	(1,158)	-	
Net acquisition/(disposal) of non-financial assets from transactions	(673)	(573)	(100)	
<i>PNFC Sector</i>				
Gross fixed capital formation	342	301	41	a(ii) b(ii) #
Depreciation	(168)	(120)	(48)	
Change in inventory	(9)	(9)	-	
Other transactions in non-financial assets	(887)	(887)	-	
Net acquisition/(disposal) of non-financial assets from transactions	(722)	(715)	(7)	
<i>PFC Sector</i>				
Gross fixed capital formation	18	18	-	#
Depreciation	(27)	(26)	(1)	
Change in inventory	2	2	-	
Other transactions in non-financial assets	(41)	(41)	-	
Net acquisition/(disposal) of non-financial assets from transactions	(48)	(47)	(1)	
<i>Whole of Government</i>				
Gross fixed capital formation	4,292	2,166	2,126	a(i)&(ii) b(i)&(ii) #
Depreciation	(3,942)	(1,708)	(2,234)	
Change in inventory	293	293	-	
Other transactions in non-financial assets	(2,086)	(2,086)	-	
Net acquisition/(disposal) of non-financial assets from transactions	(1,443)	(1,335)	(108)	

Depreciation shown in the ~~statement of comprehensive income operating statement~~ column includes both depreciation and amortisation from non-produced assets. Note b(i)&(ii) explains the convergence difference so far as it relates to the item described as depreciation in the ~~statement of comprehensive income operating statement~~. The convergence differences shown in this note also include the amounts for 'amortisation of non-produced assets' presented in the ~~statement of comprehensive income operating statement~~ of \$75m for the GGS, \$43m for the PNFC sector and \$1m for the PFC sector.

Net Other Economic Flows

g Other Economic Flows – Included in Operating Result – Other Revenue – Dividends to GGS from the sale of PNFC sector assets

The convergence difference of (\$300m) arises in the GGS because GFS classifies \$300m of the distributions from other sector entities as a transaction in financial assets (that is, as a withdrawal of equity because it is funded from proceeds from sale of assets), whereas the statement of comprehensive income ~~operating statement~~ recognises it as dividend revenue and classifies it as other economic flows (refer also to Note i).

This difference does not flow through to the whole of government amounts as it arises from intersector transactions.

h Other Economic Flows – Included in Operating Result – Doubtful Debts

The convergence differences of \$500m in the GGS, \$63m in the PNFC sector and \$41m in the PFC sector arise because GFS does not recognise doubtful debts, whereas the statement of comprehensive income ~~operating statement~~ recognises doubtful debts and classifies it as other economic flows. In this example, no bad debts were written off from doubtful debts. GFS recognises amounts written off when there is mutual agreement with debtors as capital grants expenses in the period of the write-off, and recognises those written off unilaterally by the government as other economic flows also in the period of the write-off.

The total difference of \$604m flows through to the whole of government amounts.

i Other Economic Flows – Other Non-Owner⁵ Changes Movements in Equity – Net Gain on Equity Investments in Other Sector Entities Measured at Proportional Share of the Carrying Amount of Net Assets/(Liabilities)

The convergence differences comprise:

⁵ The term 'Non-Owner' is not needed in a GGS context compared with the whole of government context. In a whole of government context the term is used in Illustrative Example A in relation to the PNFC and PFC sector financial statements to distinguish between transactions that occur between the GGS (as owner) and the PNFC/PFC sectors and other types of transactions.

\$90m in the GGS: The carrying amount of net assets (and therefore the change in carrying amount of net assets) of other sector entities determined under GFS principles and rules differs from the carrying amount of net assets (and therefore the change in carrying amount of net assets) of the subsidiaries recognised in the statement of financial position balance sheet (being the carrying amount of net assets determined before elimination of intersector balances).

The difference is therefore equivalent to the total of those convergence differences affecting the total change in net worth impacting either through the net operating balance (itemised in Note S1 of Illustrative Example A) or other economic flows (other than transactions with owners in their capacity as owners in the form of dividends paid – itemised in Note S3 of Illustrative Example A). The components are:

	\$m
Use of goods and services – development costs [PNFC]	(41)
Depreciation – development costs [PNFC]	5
Doubtful debts [PNFC]	63
Doubtful debts [PFC]	41
Revaluations – intangible assets [PNFC]	12
Revaluations – property [PNFC]	10
TOTAL	<u>90</u>

\$300m in the GGS: GFS treats this amount as a distribution from other sector entities classified as a transaction in financial assets (that is, as a withdrawal of equity because it is funded from proceeds from sale of assets), whereas the statement of comprehensive income operating statement recognises it as dividend revenue and classifies it as other economic flows (refer also to Note g). Under GFS, the holding gain on other sector entities is determined after taking into account additions to and withdrawals from equity that have occurred.

The total difference of \$390m does not flow through to the whole of government amounts as it arises from intersector items.

j Other Economic Flows – Included in Operating Result – Share of Net Profit/(Loss) from Associates (Excluding Dividends)

The convergence difference of \$51m arises in the GGS because GFS does not recognise the share of the associate’s loss (excluding dividends), whereas consistent with the equity method of accounting, it is recognised

as an expense of \$51m and classified as an other economic flow and dividends are recognised as a revenue of \$1m and classified as a transaction in the statement of comprehensive income ~~operating statement~~. GFS recognises the decrease in the market value of investments in associates of \$55m as an other economic flow (refer to Note k(ii)), and the dividends on such investments of \$1m as dividend revenue from transactions.

This difference flows through to the whole of government amounts.

k Other Economic Flows – Other Non-Owner⁶ Changes Movements in Equity – Revaluations

The convergence differences comprise:

- k(i)** \$920m in the GGS because GFS does not recognise the net decrease in the fair value of defence weapons (resulting from revaluations and impairments), whereas it is recognised as an other economic flow in the statement of comprehensive income ~~operating statement~~. GFS treats defence weapons expenditures as expenses from transactions rather than assets (refer also to Notes a(i) and b(i)).

This difference flows through to the whole of government amounts.

- k(ii)** (\$55m) in the GGS because GFS recognises the decrease in the market value of investments in associates of \$55m as an other economic flow, whereas it is not recognised in the statement of comprehensive income ~~operating statement~~. Consistent with the equity method of accounting, the statement of comprehensive income ~~operating statement~~ recognises the share of the associate's loss of \$50m as a loss of \$51m classified as other economic flows and revenue (from dividends) of \$1m (refer also to Note j).

This difference flows through to the whole of government amounts.

⁶ The term 'Non-Owner' is not needed in a GGS context compared with the whole of government context. In a whole of government context the term is used in Illustrative Example A in relation to the PNFC and PFC sector financial statements to distinguish between transactions that occur between the GGS (as owner) and the PNFC/PFC sectors and other types of transactions.

- k(iii)** \$130m in the GGS and \$12m in the PNFC sector because GFS recognises the net increase in the revalued intangible assets as an other economic flow, whereas it is not recognised in the statement of comprehensive income~~operating statement~~. In accordance with paragraph 81 of AASB 138 *Intangible Assets*, the intangible assets in this example are not revalued because there is no active market for them.

The total difference of \$142m flows through to the whole of government amounts.

- k(iv)** \$10m in the PNFC sector because while GFS recognises the gross increase in the revalued asset (in Illustrative Example A, assumed to have arisen from an upward asset revaluation of properties), it does not recognise as an offset part of the increase in the revalued asset as being due to a corresponding increase in the deferred tax liability. (Refer also to Note r(ii))

This difference does not flow through to the whole of government amounts as the whole of government does not have a deferred tax liability.

l Remeasurement of Shares and Other Contributed Capital

The convergence differences of \$4,093m in the PNFC sector and (\$7,378m) in the PFC sector arise because GFS measures net worth as assets less liabilities less share capital/contributed capital (remeasured). Because in Illustrative Example A PNFC and PFC sectors are 100 per cent owned by the GGS, the GFS net worth, and therefore the GFS change in net worth, of these sectors is zero. In effect, all of the convergence differences that impact on the comprehensive result are netted off for the PNFC and PFC sectors against the GFS remeasurement of shares and other contributed capital.

The total difference of (\$3,285m) does not flow through to the whole of government amounts as they relate to the GGS ownership interest in PNFC/PFC sectors.

Convergence Differences relating to the Statements of Financial Position Balance Sheets

Net Worth

m Assets – Financial Assets – Accounts Receivable

The convergence differences of \$1,800m in the GGS, \$165m in the PNFC sector and \$298m in the PFC sector arise because GFS does not recognise doubtful debts, whereas a provision for doubtful debts is recognised in the statement of financial position~~balance sheet~~.

This total difference of \$2,263m flows through to the whole of government amounts.

n Assets – Financial Assets – Shares and Other Equity – Investments Accounted for Using Equity Method

The convergence difference of \$36m arises in the GGS because GFS recognises the net decrease in the market value of investments in associates, whereas the equity method of accounting is applied in the calculation of the carrying amount recognised in the statement of financial position~~balance sheet~~.

This difference flows through to the whole of government amounts.

o Assets – Financial Assets – Shares and Other Equity – GGS Investments in Other Sector Entities

The convergence difference of \$900m arises in the GGS in relation to the measurement of equity investments in other sector entities measured at proportional share of the carrying amount of net assets/(liabilities), due to different definition, recognition and measurement principles and rules for certain assets and liabilities under GFS.

The difference is therefore equivalent to the total of those convergence differences affecting Net Worth (as itemised in Note T). The components are:

	\$m
Amounts receivable [PNFC]	165
Amounts receivable [PFC]	298
Intangible assets – research and development [PNFC]	(69)
Deferred tax liability [PNFC]	506
TOTAL	<u>900</u>

This difference does not flow through to the whole of government amounts as it arises from an intersector item.

p Assets – Non-Financial Assets – Produced Assets – Machinery and Equipment

The convergence difference of (\$30,745m) in the GGS arises because GFS expenses defence weapons upon acquisition, whereas the defence weapons are capitalised and subject to revaluation and impairment for statement of financial position~~balance sheet~~ purposes, and expensed over time through depreciation.

This difference flows through to the whole of government amounts.

q Assets – Non-Financial Assets – Produced Assets – Intangibles

The convergence differences comprise:

- q(i)** (\$400m) in the GGS and (\$69m) in the PNFC sector because GFS treats research and development costs as use of goods and services expenses from transactions, whereas some are treated as acquisitions of intangible assets for the statement of financial position~~balance sheet~~ because some development activities are expected to bring benefits for more than one year.

This total difference of (\$469m) flows through to the whole of government amounts.

- q(ii)** \$150m in the GGS because GFS recognises the revaluation of certain intangible assets, whereas those intangible assets have not been revalued in the statement of financial position~~balance sheet~~ because there is no active market (in accordance with paragraph 81 of AASB 138).

This difference flows through to the whole of government amounts.

r Liabilities – Provisions

The convergence differences comprise:

- r(i)** \$94m in the GGS because GFS does not recognise certain provisions that are recognised in the statement of financial position~~balance sheet~~ as liabilities (for example, to the extent that they arise from constructive obligations for which there is no counterparty recognising a related financial asset).

This difference flows through to the whole of government amounts.

- r(ii)** \$506m in the PNFC sector because GFS does not recognise the deferred tax liability.

This difference does not flow through to the whole of government amounts as it arises from a PNFC sector liability that is not a whole of government liability.

[Note: Depending on the nature of the tax equivalents regime operating in a particular jurisdiction, a GGS, as the tax collector, may not be able to recognise a related revenue unless it meets the criteria in AASB 1004 *Contributions*. For the purpose of this example, the GGS, as the tax collector, does not recognise deferred tax balances to the extent the tax events associated with the PNFC sector's deferred tax balances have not occurred, even though from the PNFC sector's viewpoint, the event is the recognition of the underlying assets and/or liabilities in accordance with AASB 112 *Income Taxes*. This treatment in the GGS accords with GFS and therefore does not give rise to a convergence difference.]

s Shares and Other Contributed Capital

The convergence differences of (\$20,609m) in the PNFC sector and (\$13,050m) in the PFC sector arise because GFS measures net worth as assets less liabilities less shares/contributed capital, whereas shares/contributed capital are not deducted in the determination of GAAP net worth. Because in this example GFS measures shares/contributed capital of the PNFC and PFC sectors at the carrying amount of net assets of those sectors, PNFC and PFC sector GFS net worth is nil.

The total difference of (\$33,659m) does not flow through to the whole of government amounts as they relate to the GGS ownership interest in the PNFC and PFC sectors.

t Classification Difference Included in the GFS Net Worth

A classification difference arises in the GGS because GFS classifies \$28,000m of the \$28,094m of provisions as other accounts payable. The classification difference has no impact on the amount of the GFS Net Worth.

This difference flows through to whole of government amounts.

Convergence Differences relating to the Statements of Cash Flows ~~Statements~~

Cash Surplus/(Deficit)

u Cash Flows from Investments in Non-Financial Assets

The convergence difference of (\$4m) in the GGS arises because GFS recognises a notional cash outflow relating to new finance leases and similar arrangements in calculating cash surplus/(deficit), whereas the statement of cash flows ~~statement~~ does not recognise notional cash flows.

This difference flows through to the whole of government amounts.

v Classification Differences Included in the GFS Cash Surplus/(Deficit)

For the whole of government and GGS, amounts of \$41,019m and \$37,898m respectively have been recognised as payments for purchases of goods and services from operating activities in the statement of cash flows ~~statement~~. Under GFS, the corresponding amounts are \$43,145m and \$39,983m respectively.

The convergence difference of \$2,085m in the GGS comprises:

- \$2,040m: purchases of defence weapons that are classified as purchases of non-financial assets – which are investing activities in the statement of cash flows ~~statement~~; and
- \$45m: capitalised development costs that are classified as purchases of non-financial assets – which are investing activities in the statement of cash flows ~~statement~~.

For the PNFC sector, an amount of \$3,151m has been recognised as payments for purchases of goods and services from operating activities in the statement of cash flows ~~statement~~. Under GFS, the corresponding amount is \$3,192m.

The convergence difference of \$41m comprises capitalised development costs that are classified as purchases of non-financial assets – which are classified as investing activities in the statement of cash flows ~~statement~~.

The total convergence difference of \$2,126m flows through to whole of government.

These classification differences have no impact on the amount of the GFS Cash Surplus/(Deficit).

ILLUSTRATIVE EXAMPLE C

Extract from the Note Containing the Summary of Significant Accounting Policies of a General Government Sector

The following is an example of an extract from Note 1 of a ~~financial report~~ the financial statements for a year subsequent to the first year of adoption of this Standard, consistent with the requirements of paragraph 39. This example assumes that the GGS ~~financial statements~~ financial report ~~is~~ are presented separately from the whole of government ~~financial statements~~ financial report.

~~The~~ is ~~financial statements~~ financial report of the General Government Sector (GGS) of *[name of the Government]* ~~has~~ have been prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (issued *[month to be inserted]* 2008), which requires compliance with all Australian Accounting Standards except those identified below. The purpose of ~~this~~ the ~~financial statements~~ financial report ~~is~~ is to provide users with information about the stewardship by the Government in relation to its GGS and accountability for the resources entrusted to it; information about the financial position, changes in net assets/(liabilities), performance and cash flows of the Government's GGS; and information that facilitates assessments of the macro-economic impact of the Government's GGS.

The GGS of *[name of the Government]* is a component of the Whole of Government of *[name of the Government]*. The GGS is determined in accordance with the principles and rules contained in the Australian Bureau of Statistics *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005* (ABS GFS Manual). The GGS consists of all government units and non-profit institutions controlled and mainly financed by government. Government units are legal entities established by political processes that have legislative, judicial, or executive authority over other units and which provide goods and services to the community or to individuals on a non-market basis; and make transfer payments to redistribute income and wealth. Non-profit institutions are created for the purpose of producing or distributing goods and services but are not a source of income, profit or other financial gain for the government.

The Standard under which the GGS ~~financial statements~~ financial report ~~are~~ is prepared does not require full application of AASB 127 *Consolidated and Separate Financial Statements* and AASB 139 *Financial Instruments: Recognition and Measurement*. Assets, liabilities, income, expenses and cash flows of government controlled entities that are in the Public Non-Financial

Corporations sector and the Public Financial Corporations sector are not separately recognised in the GGS of *[name of the Government's]* financial statements. Instead, the GGS financial statements recognise an asset, being the controlling equity investment in those entities, and recognise a gain or loss relating to changes in the carrying amount of that asset, measured in accordance with AASB 1049. Readers are referred to the Whole of Government general purpose financial statements~~financial report~~ of *[name of the Government]* for the year ended 30 June 20XX for financial information that separately recognises assets, liabilities, income, expenses and cash flows of all entities under the control of the *[name of the Government]*.

The ABS GFS Manual also provides the basis upon which Government Finance Statistics (GFS) information that is contained in the financial statements~~financial report~~ is prepared. In particular, notes disclosing key fiscal aggregates of net worth, net operating balance, total change in net worth, net lending/(borrowing) and cash surplus/(deficit) determined using the principles and rules in the ABS GFS Manual are included in the financial statements~~financial report~~, together with a reconciliation of those key fiscal aggregates to the corresponding key fiscal aggregates recognised in the financial statements.

ILLUSTRATIVE EXAMPLE D

Key Technical Terms Used in the **Financial Report** Complete Sets of Financial Statements

This illustration provides an example of the presentation of explanations of selected key technical terms used in the Whole of Government and GGS Financial Statements and Selected Notes (Illustrative Examples A and B), as required by paragraph 41(a)(iv) of this Standard

This illustration presents generic explanations, suitable in both a whole of government and GGS context, except where indicated. In instances where the generic definition is not necessarily appropriate, further guidance has been provided.

Cash surplus/(deficit) is net cash flows from operating activities plus net cash flows from acquisition and disposal of non-financial assets and less distributions paid. GFS cash surplus/(deficit) also deducts the value of assets acquired under finance leases and similar arrangements.

Comprehensive result (total change in net worth before transactions with owners in their capacity as owners)⁷ is the net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other changes movements in equity, other than transactions with owners in their capacity as owners.

Convergence difference is the difference between the amounts recognised in the financial statements compared with the amounts determined for GFS purposes as a result of differences in definition, recognition, measurement, classification and consolidation principles and rules.

Financial asset is any asset that is:

- (a) cash;

⁷ Explanatory note: The term 'transactions with owners in their capacity as owners' is most pertinent in a whole of government context. Such transactions may occur between the GGS, as owner, and the PNFC/PFC sectors and are therefore required to be disclosed in the sector information included in the whole of government ~~financial report~~ financial statements. In addition, transactions with owners in their capacity as owners may occur in a whole of government context in relation to partly owned subsidiaries. Accordingly, the GGS financial ~~report statements~~ could use the alternative term 'Comprehensive result (total change in net worth)' defined as the net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other changes movements in equity.

- (b) an equity instrument of another entity;
- (c) a contractual right:
 - (i) to receive cash or another financial asset from another entity; or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
 - (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

General Government Sector (GGS) is the institutional sector comprising all government units and non-profit institutions controlled and mainly financed by government.

Government Finance Statistics (GFS) enable policymakers and analysts to study developments in the financial operations, financial position and liquidity situation of the government. More details about the GFS can be found in the Australian Bureau of Statistics (ABS) GFS Manual *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005*.

Gross fixed capital formation is the value of acquisition less disposals of new and existing produced assets that can be used in production, other than inventories.

Mutually agreed bad debts are financial assets written off where there was prior knowledge and consent by the counterparties.

Net acquisition/(disposal) of non-financial assets from transactions is gross fixed capital formation less depreciation plus changes in inventories plus other transactions in non-financial assets.

Net actuarial gains includes actuarial gains and losses on defined benefit superannuation plans.

Net cash flows from investments in financial assets (liquidity management purposes) is cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.

Net cash flows from investments in financial assets (policy purposes) is cash receipts from the repayment and liquidation of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. Acquisition of financial assets for policy purposes is distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by government policies such as encouraging the development of certain industries or assisting citizens affected by natural disaster.

Net gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/(liabilities) comprises the net gains relating to the equity held by the GGS in other sector entities. It arises from a change in the carrying amount of net assets of the subsidiaries. The net gains are measured based on the proportional share of the subsidiary's carrying amount of net assets/(liabilities) before elimination of intersector balances.

Net lending/(borrowing) is net operating balance minus the net acquisition/(disposal) of non-financial assets. It is also equal to transactions in the net acquisition/(disposal) of financial assets minus the net incurrence of liabilities. It indicates the extent to which financial resources are placed at the disposal of the rest of the economy or the utilisation of financial resources generated by the rest of the economy. It is an indicator of the financial impact on the rest of the economy.

Net other economic flows is the net change in the volume or value of assets and liabilities that does not result from transactions.

Net result from transactions – net operating balance is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses

resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net worth is assets less liabilities and shares/contributed capital. For the GGS, net worth is assets less liabilities, since shares and contributed capital do not exist in a GGS context⁸. It is an economic measure of wealth and reflects the contribution to the wealth of Australia. The change in net worth is the preferred measure for assessing the sustainability of fiscal activities.

Non-financial assets are all assets that are not ‘financial assets’.

Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets.

Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

Operating result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as ‘other non-owner ~~changes movements~~ in equity’.

Other current revenues refers to current revenue other than current revenue from taxes, sales of goods and services, and property income. It includes revenue from fines other than penalties imposed by tax authorities.

Other economic flows – see definition of ‘net other economic flows’ above.

Other sector entities are government controlled entities that are not part of the GGS.

Public Financial Corporations (PFC) sector is the institutional sector comprising resident government controlled corporations and quasi-corporations mainly engaged in financial intermediation or provision of auxiliary financial services.

⁸ Explanatory note: The reference to shares/contributed capital is most pertinent in a whole of government context. As an alternative, the GGS ~~financial report~~ financial statements could define ‘net worth’ as ‘assets less liabilities’ because shares and contributed capital do not exist in a GGS context.

Public Non-Financial Corporations (PNFC) sector is the institutional sector comprising resident government controlled corporations and quasi-corporations mainly engaged in the production of market goods and/or non-financial services.

Quasi-corporation is an unincorporated enterprise that functions as if it were a corporation, has the same relationship with its owner as a corporation, and keeps a separate set of accounts.

Securities other than shares are negotiable financial instruments serving as evidence of the obligations to settle by means of providing cash, a financial instrument, or some other item of economic value. The security normally specifies a schedule for interest payments and principal repayments. Some examples are: bills, bonds and debentures, commercial paper, and securitised mortgage loans.

Social benefits are transfers in cash or in kind to relieve households of the burden of a defined set of social risks. Social risks are events or circumstances that may adversely affect the welfare of households either by imposing additional demands on their resources or by reducing their incomes.

Transactions are interactions between two units by mutual agreement or an action within a unit that is analytically useful to treat as a transaction.

Unilaterally determined bad debts are financial assets written off without an agreement with the debtor in cases such as bankruptcy of the debtor.

Use of goods and services is the total value of goods and services used in production, and use of goods acquired for resale. Goods and services acquired for use as direct in-kind transfers to households or as grants are excluded.

Valuables are produced goods of considerable value that are acquired and held primarily as stores of value over time and are not used primarily for purposes of production or consumption. They include works of art not used primarily in museums to produce services for the public.

Wages, salaries and supplements consist of all uncapitalised compensation of employees except for superannuation. It includes pay in cash or in-kind.

Whole of government financial statements~~financial report~~ are financial statements~~is a financial report~~ that are~~is~~ prepared in accordance with

Australian Accounting Standards, including AASB 127 *Consolidated and Separate Financial Statements*, and thereby separately recognises assets, liabilities, income, expenses, and cash flows of all entities under the control of the government on a line-by-line basis.