

**FINANCIAL REPORTING REQUIREMENTS FOR QUEENSLAND
GOVERNMENT AGENCIES –
ADDENDUM TO BE READ IN CONJUNCTION WITH 2008-09
FINANCIAL REPORTING REQUIREMENTS**

**EXTRA REQUIREMENTS FOR DEPARTMENTS ESTABLISHED VIA
MACHINERY OF GOVERNMENT CHANGES GAZETTED ON 26 MARCH 2009**

Background

The Machinery of Government (MOG) changes gazetted on Thursday 26 March 2009 included the establishment of the following four new departments:

- Department of Employment, Economic Development and Innovation;
- Department of Environment and Resource Management;
- Department of Community Safety; and
- Department of Transport and Main Roads.

These four departments will be preparing financial statements, for the first time, for the period 27 March 2009 to 30 June 2009. These financial statements will need to be prepared in accordance with:

- the Financial Reporting Requirements (FRRs) version 5 (issued February 2009); and
- all new accounting standards and interpretations, and amendments thereto, that are effective for reporting periods beginning later than 1 July 2008 but before 28 March 2009.

Based on the standards and interpretations issued as at January 2009 (listed in APG 1), the following new and amended accounting standards and interpretations are effective for reporting periods beginning later than 1 July 2008 but before 28 March 2009:

- AASB 101 *Presentation of Financial Statements* (revised);
- AASB 123 *Borrowing Costs* (revised);
- AASB 2007-8 *Amendments to Australian Accounting Standard arising from AASB 101*;
- AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101*;
- AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation* [AASB 7, AASB 101, AASB 132, AASB 139 and Interpretation 2];
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* [AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038];
- AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136];
- AASB 2009-1 *Amendments to Australian Accounting Standards – Borrowing Costs of Not-for-Profit Public Sector Entities* [AASB 1, AASB 111 & AASB 123];

- AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments* [AASB 4, AASB 7, AASB 1023 & AASB 1038];
- AASB 2009-3 *Amendments to Australian Accounting Standards – Embedded Derivatives* [AASB 139 & Interpretation 9];
- Interpretation 15 *Agreements for the Construction of Real Estate*; and
- Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*.

Key aspects of these new and amended standards/interpretations are described below. However, departmental staff must closely review these standards/interpretations to determine the full range of impacts on their department.

Any queries should be emailed to fmhelpdesk@treasury.qld.gov.au.

Impacts on Financial Statements for period 27 March 2009 to 30 June 2009

Presentation of Financial Statements

An amended version of AASB 101 *Presentation of Financial Statements* applies to reporting periods beginning on or after 1 January 2009. The main impacts of the amended standard on the four new departments' financial statements for the period ending 30 June 2009 will be as follows.

- A new concept of “comprehensive income” has been introduced, collectively referring to all changes in equity apart from those arising from transactions with owners in their capacity as owners. “Other comprehensive income” is a component of “comprehensive income” and refers to those items of income and expenses that are directly adjusted against equity, rather than being recognised through profit or loss.
- The amended standard provides a choice to present all income and expenses in either a single Statement of Comprehensive Income, or two separate statements (ie. a statement displaying components of profit or loss, and a separate statement beginning with profit or loss and displaying “other comprehensive income”). However, ED174 *Amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for Entities within the GGS* was issued in January 2009 and, amongst other things, proposes that a single statement be prepared under AASB 101. Therefore, in anticipation of this proposal being adopted (the amendments are expected to take effect as from 2010-11), Treasury's policy is to require a single Statement of Comprehensive Income.
- In line with the new arrangements for presenting “comprehensive income”, the content of the Statement of Changes in Equity will change.
- The titles of statements used throughout AASB 101 for a number of the key statements have changed. Although AASB 101 does allow other titles to be used for those statements, Queensland Treasury's policy is to adopt the revised statement names, in the interests of consistency with accounting standard terminology. Therefore:
 - the “Income Statement” is to be renamed to “Statement of Comprehensive Income”;
 - the “Balance Sheet” is to be renamed to “Statement of Financial Position”; and
 - the “Cash Flow Statement” is to be renamed to “Statement of Cash Flows”.

The policy decisions referred to above will be reflected in the 2009-10 update of the Financial Reporting Requirements.

To assist new departments with preparing their first set of financial statements, Attachment 1 sets out pro formas to be used in respect of the four statements referred to in revised AASB 101. The statements for new departments for 2008-09 reporting will be different from the formats to be used by continuing and abolished departments for 2008-09 reporting. This is due to the different reporting period commencement dates for the new departments and the consequential differing application of new and amended standards.

The pro formas in Attachment 1 have been tailored to reflect the circumstances of the new departments for the statements to be prepared at the end of 2008-09. New departments must also ensure that note 1 includes adequate explanation of the Machinery of Government changes that led to the establishment of the new department.

The following two amending standards set out consequential amendments to a wide range of other accounting standards to reflect the concepts and terminology now used in the revised AASB 101:

- AASB 2007-8 *Amendments to Australian Accounting Standard arising from AASB 101*; and
- AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101*.

Borrowing Costs

Revised AASB 123 *Borrowing Costs* applies to reporting periods beginning on or after 1 January 2009 and requires an entity to capitalise those borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (refer to paragraph 5 of AASB 123) as part of the cost of that asset. This requirement applies to all qualifying assets with a commencement date for capitalisation on or after 1 January 2009. All other borrowing costs are to be expensed.

However, the Australian Accounting Standards Board subsequently issued amendment standard AASB 2009-1 *Amendments to Australian Accounting Standards – Borrowing Costs of Not-for-Profit Public Sector Entities [AASB 1, AASB 111 & AASB 123]*. AASB 2009-1 is effective for reporting periods beginning on or after 1 January 2009, and further amends AASB 123 by allowing not-for-profit public sector entities to expense borrowing costs, regardless of how the borrowings are applied. In accordance with the choices now available, Queensland Treasury's policy is that not-for-profit agencies must expense borrowing costs, consistent with the existing policy in FRR 6.3.5.

Financial Instruments

AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]* is effective for reporting periods beginning on or after 1 January 2009. The main impacts arising from this standard are the amendments to AASB 7 *Financial Instruments: Disclosures* resulting in expanded disclosure requirements for recognised fair values and maturity analyses of financial liabilities.

The expanded disclosures regarding fair values only apply to financial assets or liabilities recognised at fair value in the Statement of Financial Position, and include requiring reporting entities to firstly classify such fair value measurements according to a fair value hierarchy (explained in AASB 2009-2).

The amended disclosures regarding financial liabilities are more significant where an entity's financial liabilities include derivatives.

AASB 2009-3 Amendments to Australian Accounting Standards – Embedded Derivatives [AASB 139 & Interpretation 9] is effective for reporting periods ending on or after 30 June 2009. The amendments to AASB 139 *Financial Instruments: Recognition and Measurement* prevent the re-classification of a hybrid (combined) contract out of the “fair value through profit or loss” category where the embedded derivative cannot be separately measured. The amendments to Interpretation 9 *Reassessment of Embedded Derivatives* limit the circumstances in which re-assessments can be made about the separation of embedded derivatives from the hybrid contract.

Other Amendments

AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation [AASB 7, AASB 101, AASB 132, AASB 139 and Interpretation 2]

This amending standard sets out certain amendments relevant to entities that have puttable financial instruments, or instruments that impose an obligation to deliver to another party a pro rata share of the net assets of the entity on its liquidation.

AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038]

This standard contains amendments to a wide range of other standards for presentation, recognition or measurement purposes, or simply to update terminology and improve readability.

Two of the more significant amendments arising from this standard are described in APG 1 *Australian Accounting Standards Board Pronouncements*, and are reiterated below for convenience.

AASB 116 *Property Plant and Equipment* is amended to require that, amongst other things, where an entity routinely sells items of property plant and equipment that are otherwise used for rental to others, such items will need to be transferred to inventories (at their carrying amount) when the rental arrangement ceases and the respective items become held for sale. Therefore, proceeds on the sale of such items will need to be accounted for as revenue (consistent with other inventories) and AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* will not apply in such circumstances.

AASB 140 *Investment Property* is amended, amongst other things, to require that investment property (as defined in AASB140) under construction is to be recognised within the

Investment Property category from the outset, rather than within Property Plant and Equipment and subsequently transferred to Investment Property.

AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136]

The most significant aspects of this amending standard are:

- amendment of the treatment of dividend receipts declared from pre-acquisition profits to now be recognised as income, rather than deducted from the cost of the investment. Consequential amendments are also made to the list of possible impairment indicators in AASB 136; and
- clarification of the determination of the cost of investment in situations where a new parent entity is established in a group reorganisation.

Interpretation 15 Agreements for the Construction of Real Estate

This new interpretation, applicable to reporting periods beginning on or after 1 January 2009, is relevant to entities that enter into agreements for the construction of real estate, either directly or through sub-contractors.

Interpretation 16 Hedges of a Net Investment in a Foreign Operation

This new interpretation applies to reporting periods beginning on or after 1 October 2008, and is relevant to entities that hedge their foreign currency risk arising from net investments in foreign operations, and want to qualify for hedge accounting under AASB 139 *Financial Instruments: Recognition and Measurement*.

ATTACHMENT 1 TO ADDENDUM TO BE READ IN CONJUNCTION WITH 2008 09 FINANCIAL REPORTING REQUIREMENTS

SUNSHINE DEPARTMENT STATEMENT OF COMPREHENSIVE INCOME for the period 27 March 2009 to 30 June 2009*

	Notes	2009 \$'000
AASB 101 para 10(b)		
		Income from Continuing Operations
AASB 101 para 82(a) & 85		Revenue
AASB 1004 para 18(a) & 63(a) & FRR 6.2.1		Output revenue
AASB 118 para 35(b) & FRR 6.2.2		User charges
AASB 1004 para 10(a) & FRR 6.2.3		Grants and other contributions
		Other revenue
AASB 101 para 85		Gains
FRR 6.2.4		Gain on sale of property, plant and equipment
		Gain on revaluation of investment property
		Total Income from Continuing Operations
		<hr/>
AASB 101 para 85 & 99		Expenses from Continuing Operations
FRR 6.3.1		Employee expenses
		Supplies and services
FRR 6.3.2		Grants and subsidies
		Depreciation and amortisation
		Impairment losses
		Revaluation decrement
AASB 101 para 82(b) & FRR 6.3.5		Finance costs
		Other expenses
		Total Expenses from Continuing Operations
		<hr/>
AASB 101 para 81(f)		Operating result from Continuing Operations
		<hr/>
AASB 101 para 82(e)		Operating result from Discontinued Operations
		<hr/>
AASB 101 para 82(g)		Other Comprehensive Income
AASB 116 Aus39.1 & 40.1		Increase (decrease) in asset revaluation reserve
		Other (specify)
		Total Other Comprehensive Income
		<hr/>
AASB 101 para 82(i)		Total Comprehensive Income
		<hr/> <hr/>

* Refer to note 1(xxxx) regarding the Machinery of Government changes that led to the establishment of the Sunshine Department

The accompanying notes form part of these statements.

SUNSHINE DEPARTMENT
STATEMENT OF FINANCIAL POSITION
as at 30 June 2009*

	Notes	2009 \$'000
AASB 101 para 10(a)		
AASB 101 para 60 & 66		
Current Assets		
AASB 101 para 54(i)		
Cash and cash equivalents		
AASB 101 para 54(h)		
Trade and other receivables		
AASB 101 para 54(g)		
Inventories		
AASB 101 para 55		
Other		
NCAP 6.6, AASB 5 para 38 & 40 & AASB 101 para 54(j)		
Non-current assets classified as held for sale		
Total Current Assets		
AASB 101 para 60		
Non Current Assets		
AASB 101 para 54(d)		
Other financial assets		
AASB 101 para 54(c)		
Intangible assets		
AASB 101 para 54(a)		
Property, plant and equipment		
AASB 101 para 54(b)		
Investment property		
Total Non Current Assets		
Total Assets		
AASB 101 para 60 & 69		
Current Liabilities		
AASB 101 para 54(k)		
Trade and other payables		
AASB 101 para 54(m)		
Other financial liabilities		
AASB 119 para 10(a)		
Accrued employee benefits		
AASB 101 para 55		
Other		
Total Current Liabilities		
AASB 101 para 60		
Non Current Liabilities		
AASB 101 para 54(m)		
Other financial liabilities		
AASB 101 para 54(l)		
Provisions		
Total Non Current Liabilities		
Total Liabilities		
Net Assets		
AASB 101 para 55		
Equity		
Contributed equity		
Retained surpluses (deficits)		
AASB 101 para 54(r)		
Asset revaluation reserve		
Total Equity		

* Refer to note 1(xxxx) regarding the Machinery of Government changes that led to the establishment of the Sunshine Department

The accompanying notes form part of these statements.

SUNSHINE DEPARTMENT
STATEMENT OF CHANGES IN EQUITY
for the period 27 March 2009 to 30 June 2009*

AASB 101 para 10(c) &
106(d)

	Notes	Contributed Equity	Retained Surpluses (Deficits)	Asset Revaluation Reserve	Total
		2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000
Balance as at 27 March		-	-	-	-
AASB 101 para 106(a) Total comprehensive income			xxxx	xxxx	xxxx
AASB 101 para 106(c) <i>Transactions with owners as owners:</i>					
Appropriated equity injections		xxxx			xxxx
Interpretation 1038 & APG 13 Net assets received (transferred) via Machinery of Government change		xxxx			xxxx
Other (specify)		xxxx			xxxx
AASB 101 para 107 Dividends			xxxx		xxxx
<i>Total transactions with owners as owners</i>		xxxx	xxxx		xxxx
Balance as at 30 June					

* Refer to note 1(xxxx) regarding the Machinery of Government changes that led to the establishment of the Sunshine Department

The accompanying notes form part of these statements.

