

PART B

REPORTING REQUIREMENTS

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Note: Policy items, indicated by bold print, are mandatory for departmental users. These policies form the Treasurer’s Minimum Reporting Requirements.

5. GENERAL REQUIREMENTS

5.1 APPLICATION OF REQUIREMENTS

Policy

All agencies such as departments and statutory bodies and any other Queensland public sector entities, except those subject to the *Corporations Act 2001*, are to have regard, to the extent relevant, to the Financial Reporting Requirements. These consist of the Introductory section, the Treasurer's Minimum Reporting Requirements (including the Application paragraphs), the Accounting Policy Guidelines and the Sunshine Department Model Financial Statements.

Particularly, each department must comply with the requirements contained in the Treasurer's Minimum Reporting Requirements (Part B of the Financial Reporting Requirements), and the general form and content of the Sunshine Department Model Financial Statements. The Model Financial Statements will need to be amended to reflect an individual agency's circumstances and operational characteristics.

Application

The term 'have regard to' is explained in section 14 of the *Financial Management Standard 1997* as follows:

If this standard provides that an accountable officer or statutory body must have regard to another document, the officer or body complies with the provision by considering the contents of the document and deciding if the contents apply to the agency's circumstances.

The *recognition* of financial information means that it is reported on, or incorporated in amounts reported on, the face of the Income Statement, the Balance Sheet, Cash Flow Statement or Statement of Changes in Equity (whether or not further disclosure of the item is made in notes).

Disclosure of information in financial statements may be on the face of the statements, in the notes to the financial statements, or included on both the face and in the notes where further detailed disclosure is appropriate.

Where the model financial statements disclose a circumstance that is not applicable to an agency in the current and previous reporting periods, such disclosure need not be included in the financial statements of the agency. Where a particular agency is subject to requirements issued under alternative authority, those requirements should be regarded as additional to the requirements in the FRRs.

Early Adoption of an Accounting Standard

Under AASB 108 paragraph 30, where an agency has not applied a new Australian accounting standard that has been issued but is not yet effective, disclosure must be made of this fact and any known or reasonably estimable information relevant to the assessment of possible impacts on the agency's financial statements in the initial period of application.

It should be noted that in the Sunshine Department Model Financial Statements (refer to note 1(ai)), disclosure is also made in respect of amended accounting Standards that have been released, but are not yet effective.

Should an agency propose to adopt a new, or amendments to an, accounting standard ahead of the commencement date specified in that standard (where allowed by the standard), it must initially obtain approval from Treasury due to the potential effect on the State's whole-of-Government and General Government Sector financial statements pursuant to AASB 1049.

5.2 REPORTING PERIOD

Policy

These requirements apply to reporting periods beginning on or after 1 January 2005.

5.3 FORM AND CONTENT OF FINANCIAL STATEMENTS

Prescribed Requirements

AASB 101 Presentation of Financial Statements,
AASB 1052 Disaggregated Disclosures
AASB 1050 Administered Items
Financial Administration and Audit Act 1977

Policy

For minimum reporting purposes, each agency's general purpose financial statements must include:

- **An Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, Income Statement by Outputs/Major Activities, and Statement of Assets and Liabilities by Outputs/Major Activities, prepared under AASB 101, AASB 1052 and section 40(1) of the *Financial Administration and Audit Act 1977* (FA&A Act);**
- **Notes to and forming part of the financial statements, comprising a summary of significant accounting policies and other explanatory notes;**
- **A management attestation to the financial statements as prescribed under sections 40(3) or 46F(3) of the FA&A Act; and**
- **An audit certificate provided by the Auditor-General under section 40(4) or 46G(1) of the FA&A Act.**

The name of the agency and the timeframe covered by the financial statements must appear on each page of the financial statements, including the notes.

Each component of the financial statements must be identified clearly, with the following information disclosed for a proper understanding of the information presented:

- the name of the agency that is reporting, or other means of identification, and any change from the preceding reporting date;
- whether the financial statements covers an individual agency or a group of entities; and
- the level of rounding used in presenting amounts in the financial statements.

The general form and content of the financial statements must, as a minimum and where relevant, be as outlined in Part D of this document, the Sunshine Department Model Financial Statements.

Where specific information is required in a note to the financial statements, the note must contain sufficient headings, cross-references and other detail to enable the subject matter to be understood fully.

The Chief Financial Officer responsible for the financial administration of the agency must indicate in the management certificate, by way of post-nominals, any relevant professional qualifications that they hold. The Accountable Officer may, where appropriate, also include relevant professional qualifications by way of post-nominals.

Application

Where an accounting standard specifically prescribes the presentation of an item on the face of the financial statements, the provisions of that standard must be applied where relevant e.g. *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*. Consequently, the line items shown in the model statements may need to be varied in certain instances to suit an individual agency's circumstances.

In preparing the financial statements, the document titled *Annual Report Guidelines for Queensland Government Agencies* issued by the Department of the Premier and Cabinet should also be considered.

Refer also to FRR 5.5 *Financial Statements included in Annual Report*.

5.4 MATERIALITY

Prescribed Requirements

AASB 1031 Materiality

Policy

In the preparation of agency annual financial statements, the overarching concepts of AASB 1031 *Materiality* must be taken into account in the disclosure of individual line items for revenues, expenses, assets and liabilities in the financial statements.

Application

Under AASB 1031, information is material if its omission, misstatement or non-disclosure has the potential, individually or collectively, to:

- influence the economic decisions of users taken on the basis of the financial statements; or
- affect the discharge of accountability by the management or governing body of the agency.

An item may be material by its nature or amount, however an item is generally not considered material by amount and need not be separately disclosed if its value does not exceed 10% of the overall class of transaction or balance to which it relates. In respect of not-for-profit entities, it may not be appropriate to assess materiality for income statement items by reference to profit or loss or average profit or loss.

Materiality must also be considered in terms of qualitative factors, for example, from the perspective of accountability and transparency. These Reporting Requirements set out a number of individual items that must be disclosed on this basis e.g. losses and special payments. There may be other qualitative items peculiar to departments, and agencies should use their judgement as to the public interest in the separate disclosure of those items.

Further commentary on the qualitative and quantitative aspects of materiality is contained in AASB 1031.

5.5 FINANCIAL STATEMENTS INCLUDED IN ANNUAL REPORT

Prescribed Requirements

Financial Management Standard 1997, s.96 commentary

Policy

The financial statements shown in the Annual Report of the agency must be in the same form and content as the financial statements certified by the Auditor-General or his delegate and must not be abridged, amended or otherwise varied.

5.6 NOTE DISCLOSURES

Prescribed Requirements

*AASB 101 Presentation of Financial Statements,
AASB 107 Cash Flow Statements,
Any other relevant accounting standard.*

Policy

- **Departments must comply with the requirements of all relevant accounting standards in relation to specific disclosures for the Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement and any other disclosures specifically required by the Minimum Reporting Requirements, where applicable.**
- **Material items must be separately disclosed in the notes to the financial statements.**

Application

The breakdown of statement line items contained in various notes needs to be tailored to individual agency requirements. All material amounts need to be individually disclosed in these notes. It follows that where a transaction or balance comprises a number of individual, material items, these items should be separately disclosed in the notes to the financial statements.

Not all disclosures in the model financial statements will apply to every agency. Agencies must decide which notes are necessary and relevant to their circumstances. Also, while the model financial statements have been developed to be as inclusive as possible, not all situations that may be encountered by an individual agency have been addressed in the model financial statements e.g. tax effect accounting, equity accounting, consolidations, foreign currency translation.

The notes contained in the model financial statements reflect the corresponding prescribed requirements. Agencies have discretion to vary such notes to meet their specific circumstances, so long as the applicable content requirements are complied with. This is particularly the case with accounting policies and line item captions within notes.

5.7 CONSISTENCY IN ACCOUNTING POLICIES

Prescribed Requirements

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

Policy

- **AASB 108 defines accounting policies as the specific principles, bases, conventions, rules and practices applied by an agency in preparing and presenting financial statements.**

- The accounting policies applied in the preparation of the financial statements should be consistent with those of the previous year. An agency must select and apply its accounting policies consistently for similar transactions, events and conditions, unless an Australian accounting standard specifically requires or permits distinction between transactions or balances for which different policies may be appropriate. If an Australian accounting standard requires or permits such distinction, an appropriate accounting policy must be selected and applied consistently to each category of transaction or balance.
- AASB 108 permits changes in accounting policies only in limited circumstances and the requirements of that standard must be observed where a change in policy is being considered.
- A voluntary change in accounting policy must be accounted for retrospectively by adjusting the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.
- Where a change in accounting policy is being considered and the impact will be material for the agency's own financial statements, Treasury must be consulted before that change is made (to assess possible impacts on the whole-of-Government financial statements).

Application

Guidance on accounting policies is included in APG 15 *Accounting Policies, Changes in Accounting Estimates and Errors*.

5.8 LANGUAGE, CURRENCY, COMPARATIVE AMOUNTS AND ROUNDING

Prescribed Requirements

AASB 101 Presentation of Financial Statements
AASB 121 The Effects of Changes in Foreign Exchange Rates

Policy

- Financial statements must be presented in the English language.
- All amounts are to be presented in Australian dollars.
- Except when an Australian accounting standard permits or requires otherwise, comparative information must be disclosed in respect of the previous period for all amounts reported in the financial statements and the notes to and forming part of the statements. Comparative information must be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

When an agency's reporting date changes and the annual financial statements are presented for a period longer or shorter than one year, an agency shall disclose, in

addition to the period covered by the financial statements: (a) the reason for using a longer or shorter period; and (b) the fact that comparative amounts for the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and related notes are not entirely comparable.

- Where items have been reclassified within the current reporting period, the corresponding amounts for the preceding period must be reclassified similarly, unless reliable values cannot be reasonably ascertained.
- When comparative amounts are reclassified, an agency shall disclose: (a) the nature of the reclassification; (b) the amount of each item or class of items that is reclassified; and (c) the reason for the reclassification.
- Amounts shown in the financial statements must be rounded to the nearest \$1,000 or, where that amount is less than \$500, to zero.
- Although rounded amounts should correctly add to the associated total or sub-total presented, it is allowable for rounded amounts to not correctly add, provided the difference at the total or sub-total level is not greater than one or two (thousand).

Application

Refer to APG 13 *Accounting for Non-Reciprocal Transfers by Owners* for guidance regarding the disclosure of comparatives after significant machinery-of-Government (MOG) changes.

5.9 CONSOLIDATION, ASSOCIATES AND JOINT VENTURES

Prescribed Requirements

<i>AASB 127</i>	<i>Consolidated and Separate Financial Statements,</i>
<i>AASB 128</i>	<i>Investments in Associates</i>
<i>AASB 131</i>	<i>Interests in Joint Ventures</i>

Policy

Consolidation

- AASB 127 allows a parent entity to not present consolidated financial statements if the conditions in paragraph 10 and Aus10.1 of the standard are met.
- Discharge of an agency's accountability obligations is considered to be significantly lessened if agencies use the whole-of-Government consolidated financial statements as the basis to exempt them from consolidating their subsidiaries. As such, agencies are not to rely on paragraph 10 of AASB 127 to avoid preparing consolidated financial statements. Accordingly, where an agency has control over another entity, it must, subject to materiality, prepare consolidated financial statements for the agency and all of its controlled entities.
- If an agency is preparing consolidated financial statements under AASB 127, separate columns MUST be shown for parent entity and consolidated entity (with

prior year comparative figures) if there is a material value difference between the parent and economic entity.

- While commercialised business units ('CBUs') and shared service providers ('SSPs') form part of their relevant department and are not separate legal entities, the preparation of AASB 127 consolidated financial statements, as if CBUs and SSPs were controlled entities of the department with a material value difference between the parent and economic entity, provides added disclosure to users of those statements. A policy note explaining that consolidated statements are prepared for disclosure purposes must be included in the departmental financial statements.

(Refer also FRR 10.6 *Controlled Entities*)

Associates and Joint Ventures

- Agencies are to account for investments in associates and joint ventures in the consolidated financial statements using the equity method and are not to rely on the alternative method of proportionate consolidation to account for their interests in associates and joint ventures.
- Agencies are not to rely on paragraph 13(b) and 13(c) of AASB 128 *Investments in Associates* to avoid using the equity method when accounting for investments in associates. As such, it is mandated that these exemptions not be applied (Refer APG 22).
- Similarly, agencies are not to rely on paragraph 2(b) and 2(c) of AASB 131 *Interests in Joint Ventures* to avoid using the equity method when accounting for interests in joint venture entities. As such, it is mandated that these exemptions not be applied (Refer APG 22).
- The cost method is to be used in agencies' separate financial statements when accounting for investments in associates and joint ventures.

Application

Additional information is available in APG 14 *Consolidated Financial Statements* and APG 22 *Accounting for Interests in Non-Controlled Entities*.

5.10 CONTROLLED AND ADMINISTERED TRANSACTIONS AND BALANCES

Prescribed Requirements

AASB 1050

Administered Items

Policy

- Departmental financial statements must distinguish between those transactions and balances that are 'controlled' by the department and those that are 'administered' by it on behalf of the whole-of-Government.

- **Controlled transactions and balances must be disclosed in a set of AASB 101 financial statements, an example of which is included in the Sunshine Department Model Financial Statements.**
- **For guidance on the financial statement disclosure requirements for administered revenues, expenses, assets, and liabilities refer to FRR 6.5 *Administered Income Statement* and FRR 7.12 *Administered Balance Sheet*.**
- **Details of third party agency and trust transactions must be disclosed in a note to the financial statements.**

Application

For further information, refer to APG 12 *Controlled and Administered Transactions and Balances*.

5.11 ERRORS AND REVISIONS OF ACCOUNTING ESTIMATES

Prescribed Requirements

AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*

Policy

Change in Accounting Estimate

- The effect of a change in an accounting estimate must be recognised prospectively by including it in profit or loss in the period of the change, and in future periods, if applicable.
- To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it must be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

Correction of Prior Period Errors

- An agency must correct *material* prior period errors retrospectively in the first financial statements authorised for issue after their discovery by:
 - restating the comparative amounts for the prior period(s) presented in which the error occurred; or
 - if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.
- A prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.
- When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the agency shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period).
- If, at the beginning of the current period, it is impracticable to determine the cumulative effect of an error on all prior periods, the agency shall restate the comparative information to correct the error prospectively from the earliest date practicable.
- Financial statements of subsequent periods need not repeat these disclosures.

Application

For further information, refer to APG 15 *Accounting Policies, Changes in Accounting Estimates and Errors*.

5.12 CESSATION OF ENTITY

This section deals with the event when an agency ceases operations and/or is terminated.

Prescribed Requirements

AASB 101 Presentation of Financial Statements
Financial Administration and Audit Act 1977

Policy

- **If, during the course of a reporting period, an agency ceases operations and/or is terminated as a result of a restructuring of administrative arrangements (MOG changes), financial statements must be prepared and audited for the agency for the reporting period up to the date of termination.**
- **The Balance Sheet must show the assets, liabilities and equity of the agency immediately before the termination with a suitable note explaining termination details and the disposition of assets and liabilities.**
- **The financial statements to the date of termination must be certified by the outgoing accountable officer and the officer responsible for the financial administration of the terminated agency, unless that person no longer holds employment in the State Government. In that case, the accounts may be certified by the next most senior executive of the agency.**

Application

For further information, refer to APG 13 *Accounting for Non-Reciprocal Transfers by Owners*.

5.13 NEWLY FORMED ENTITY

This section deals with the event when an agency is newly formed.

Prescribed Requirements

AASB 101 Presentation of Financial Statements
Financial Administration and Audit Act 1977

Policy

- **If, during the course of a reporting period, an agency is formed as a result of a restructuring of administrative arrangements (MOG changes), financial statements must be prepared and audited for the agency for the reporting period from the date of formation to the end of the financial year.**

Application

For further information, refer to APG 13 *Accounting for Non-Reciprocal Transfers by Owners*.

6. INCOME STATEMENT

Prescribed Requirements

AASB 101 Presentation of Financial Statements

6.1 CONTROLLED INCOME STATEMENT

Policy

- Revenues for the reporting period must be classified according to their nature or type. Where applicable, the following revenue categories must be presented as separate line items on the face of the income statement:
 - Output revenue (output appropriations);
 - User charges; and
 - Grants and other contributions.
- Expenses for the reporting period must be classified according to their nature or type. Where applicable, the following expense categories must be presented as separate line items on the face of the income statement:
 - Employee expenses;
 - Supplies and services;
 - Depreciation and amortisation;
 - Grants and subsidies;
 - Finance/borrowing costs; and
 - Cost of goods sold.
- The format used must highlight the operating surplus/deficit of the agency. The net cost of services presentation must not be used.
- The line item for ‘Other’ revenue/expenses should not exceed 10% of the total value of revenues/expenses, whichever is relevant.
- The notes to the accounts must include a breakdown of each material category of revenue and expense shown on the face of the Income Statement.
- An agency shall not present any items of income and expense as extraordinary or abnormal items, either on the face of the income statement or in the notes.
- Income and expenses shall not be offset unless required or permitted by an Australian accounting standard e.g. net gains/net losses on sale per AASB 116.

- As minimum disclosure, AASB 101 paragraph 81 requires that the face of the Income Statement includes line items that present the following amounts for the period, where applicable:
 - revenue;
 - finance/borrowing costs;
 - share of the profit or loss of associates and joint ventures accounted for using the equity method;
 - tax expense;
 - a single amount comprising of (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and
 - surplus/deficit.

6.2 REVENUE AND INCOME

Prescribed Requirements

AASB 118 Revenue,

AASB 1004 Contributions,

AASB 120 Accounting for Government Grants and Disclosure of Government Assistance

6.2.1 Output Revenue

Policy

- The amount of output appropriation revenue recognised by a department in a financial year is a matter for the determination of the agency, taking into account the cost of the outputs which it has delivered during the year.
- Generally, and unless otherwise negotiated with Treasury, output appropriation revenue should equal the cash appropriations received by the department during the year in accordance with its funding profile.
- In the event of a department intending to recognise output revenue receivable or unearned output revenue at 30 June, any such amount must be negotiated with and agreed by Treasury.
- A Reconciliation of Payments from Consolidated Fund to Output Revenue recognised in the Income Statement must be provided as a note to the financial statements.
- Transfers and appropriations for unforeseen expenditures must be supported by appropriate Treasurer/Governor in Council approvals.

6.2.2 *User Charges*

Policy

- Fees and charges fixed by the accountable officer pursuant to section 36(2) of the FA&A Act, or another Act, for goods and services supplied by the department should be recognised as controlled revenue, usually when an invoice is issued.
- If the amount levied by the department is not a fee or charge fixed by the accountable officer pursuant to section 36(2) of the FA&A Act, or another Act, for goods and services supplied by the department, it should be recognised as administered revenue and the amounts received remitted to the Consolidated Fund.

Application

For information on controlled and administered transactions, refer to FRR 5.10 and APG 12 *Controlled and Administered Transactions and Balances*.

6.2.3 *Grants and Contributions Received (and Forgivable Loans)*

NOT-FOR-PROFIT ENTITIES

Policy

- Contributions and grants received comprising cash and/or tangible assets must be measured at the fair value of the grants and contributions received.
- Reciprocal grant or contribution revenue must be accrued over the term of the funding arrangements, provided this can be determined reliably.
- Revenue must be recognised by the recipient of the reciprocal grant or contribution only to the extent that the eligibility conditions have been satisfied. Until this occurs, any amount received is to be treated as unearned revenue, i.e. a liability. This liability is amortised with a corresponding recognition of revenue as the eligibility conditions are satisfied.
- If the reciprocal grant or contribution conditions have been met but the amount has not been received, the grant must be recognised as revenue and a receivable.
- Non-reciprocal grants and contributions must be recognised as revenue when the agency obtains control over them, generally in the year in which the funding is received.
- Where grants or contributions are material, the following note disclosures are required:
 - the amount, source and composition of grants and contributions;
 - details of multi-year funding arrangements, where these can be determined reliably; and

- details of any conditions attaching to the manner in which contributed assets are to be expended and a description of any assets received below fair value.

FOR-PROFIT ENTITIES

Policy

- Government grants, including non-monetary grants at fair value and forgivable loans, must not be recognised until there is reasonable assurance that the agency will comply with the conditions attaching to them (if any) and the grants will be received. In the case of forgivable loans, it is only the potential revenue that is not to be recognised until the conditions have been met (until such time, those amounts are to be recognised as part of the loan).
- AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* provides for recognition of granted non-monetary assets at nominal values as an alternative to the fair value method. This alternative treatment of nominal value is not considered best practice and is not to be applied.
- Government grants shall be recognised as income on a systematic basis over the periods necessary to match them with the related costs for which they are intended to compensate.
- Grant revenue is to be recognised as income and is not to be offset against the related expense (as allowed as an alternative treatment under AASB 120).
- A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the agency with no future related costs must be recognised as income of the period in which it becomes receivable.
- Government grants related to assets, including non-monetary grants at fair value, shall be presented in the balance sheet by setting up the grant as deferred income, which is recognised as income on a systematic and rational basis over the useful life of the asset. The alternative treatment of deducting the grant from the carrying amount of the related asset is not considered best practice and is not to be applied.
- The agency must comply with the disclosure requirements included in paragraph 39 of AASB 120.

Application

APG 2 *Definition and Recognition of Income* provides guidance for distinguishing between conditional and non-conditional grants. Refer to APG 2 and APG 3 *Contributions, Grants and Government Assistance Received* for information on accounting for grants and contributions, including government grants received by for-profit entities.

APG 13 *Accounting for Non-Reciprocal Transfers by Owners* discusses accounting for non-reciprocal transfers and Machinery-of-Government changes.

6.2.4 Gains/Losses on Derecognition of Property, Plant and Equipment and Intangibles

Policy

- The carrying amount of an item of property, plant and equipment and from intangibles must be derecognised on disposal or when no future economic benefits are expected from its use or disposal.
- The gain or loss arising from the derecognition of an item of property, plant and equipment and from intangibles must be included in profit or loss (on a net basis) when the item is derecognised (unless AASB 117 requires otherwise on a sale and leaseback). Gains must not be classified as revenue.

Application

Refer to Chapter 9 'Disposal of Non-Current Assets' and Chapter 11 'Intangible Assets' of the *Non-Current Asset Policies for the Queensland Public Sector* for further information.

6.3 EXPENSES

Policy

- The notes to the accounts must include a breakdown of each material category of expense shown on the face of the Income Statement.
- The expenses attributable to each of the agency's outputs and those major activities of the agency that are not outputs, e.g. commercialised business units, must be presented in the Income Statement by Outputs/Major Activities.
- Where expenses are of a value, nature or incidence that their disclosure is relevant in explaining the financial performance of the agency, their nature and amount must be disclosed separately in the notes to the financial statements.
- An agency, other than a group, must disclose in the financial statements, the amounts paid or payable to the auditor of the agency for an audit or a review of the financial statements of the agency. In addition, in the notes to the financial statements, agencies are required to disclose the amount quoted for the audit fee for that particular financial year (as per the Client Service Plan). (Refer also FRR 10.11 *Auditor Remuneration*).

6.3.1 *Employee Expenses*

Prescribed Requirements

AASB 119 *Employee Benefits*,
AASB 101 *Presentation of Financial Statements*

Policy

- Wages and salaries disclosed in the notes as part of employee expenses must include annual and sick leave expenses.
- Redundancy provisions must be recognised as an expense and disclosed in the notes as part of employee expenses under the classification 'Employee expenses – other'. Separate disclosure is required if the amount of redundancies is material.
- The expense recognised for the levy payable to the annual leave central scheme, central long service leave scheme, the employer contribution to the central superannuation scheme and the WorkCover premium expense must be separately disclosed in the notes.
- Disclosure is required of either the number of full-time equivalent employees at reporting date or the average number of employees during the reporting period, including both full-time, part-time and casual employees, but not contractors. No adjustment is required for overtime.
- Any salary recouped by an agency must be recorded as a reduction in employee expenses.
- AASB 119 *Employee Benefits* does not specifically state that elected members are deemed to be employees. However, in the interests of public information, where post employment benefits for elected members are material, they must be disclosed as a liability in the financial statements of the relevant agency.
- The following senior executive (SES1 or above) remuneration disclosures are to be included in the employee expenses note in an agency's financial statements:
 - the aggregate remuneration of all senior executive officers (including Chief Executive Officers) whose remuneration for the financial year is \$100,000 or more;
 - the number of senior executives whose total remuneration for the financial year falls within each successive \$20,000 band, commencing at \$100,000; and
 - total separation and redundancy/termination benefit payments to senior executives.
- The remuneration to be disclosed is all remuneration received or receivable, directly or indirectly, from the entity or any related party in connection with the management of the affairs of the entity or any of its subsidiaries, whether as an executive or otherwise. For this purpose, remuneration includes:

- wages and salaries;
 - accrued leave (that is, the increase/decrease in the amount of annual and long service leave owed to an executive, inclusive of any increase in the value of leave balances as a result of salary rate increases or the like);
 - performance pay received or due and receivable in relation to the financial year, provided that a liability exists (namely a determination has been made prior to the financial statements being signed), and can be reliably measured even though the payment may not have been made during the financial year;
 - accrued superannuation (being the value of all employer superannuation contributions during the financial year, both paid and payable as at 30 June);
 - car parking benefits and the cost of motor vehicles, such as lease payments, fuel costs, registration/insurance, and repairs/maintenance incurred by the agency during the financial year, both paid and payable as at 30 June, net of any amounts subsequently reimbursed by the executives;
 - housing (being the market value of the rent or rental subsidy – where rent is part-paid by the executive – during the financial year, both paid and payable as at 30 June);
 - allowances (which are included in remuneration agreements of executives, such as airfares or other travel costs paid to/for executives whose homes are situated in a location other than the location they work in); and
 - fringe benefits tax included in remuneration agreements.
- The disclosures are to apply to all senior executives appointed under the *Public Service Act 2008*, excluding section 122 appointments, by the Public Service Commissioner and classified as SES1 and above, with remuneration above \$100,000 in the financial year. 'Remuneration' means any money, consideration or benefit, but excludes amounts:
 - paid to an executive by an entity or its subsidiary where the person worked during the financial year wholly or mainly outside Australia during the time the person was so employed; or
 - in payment or reimbursement of out-of-pocket expenses incurred for the benefit of the entity or any of its subsidiaries.
 - Comparative information for the executive remuneration disclosures is required for the 2006-07 financial year and thereafter.

Note: Where an employee is on secondment and there is a recoupment of employee expenses, GST is applicable to the transaction.

Application

The executive remuneration disclosure requirements do not apply to those executives subject to contract employment under section 122 of the *Public Service Act 2008 (Queensland)*.

For further information, refer to APG 10 *Accounting for Employee Benefits*.

6.3.2 Grants and Contributions Paid

Policy

- Where the terms of a grant or contribution have been satisfied during the reporting period, but the full amount relevant to the period has not yet been disbursed, an agency must recognise an expense and a liability (payable) in respect of the present obligation at reporting date.
- Where amounts have been paid in advance and the transaction is conditional, the agency must initially recognise a prepayment and progressively an expense (and amortisation of the prepayment) over the period of the grant or contribution, as and when performance by the recipient (or some other event) creates an unavoidable present obligation.
- Broad categories of recipients must be disclosed in the notes to the accounts under 'Grants and Subsidies', where material.
- Where an agency has examined the relevant terms and conditions of the grant arrangements, but uncertainty exists as to whether or not a present obligation exists in terms of *the Framework for the Preparation and Presentation of Financial Statements*, or there is doubt as to the probability or measurement of any future payment, a contingent liability must be disclosed in the notes to the financial statements.

6.3.3 Losses and Special Payments – Other than Losses on Disposal of Non-Current Assets

Policy

- The classes of special payments greater than \$5,000 made by the department and the total amount of the payments for each class must be disclosed.
- The classes of material losses must be disclosed detailing the total amount of the losses for each class.
- Reportable gifts made by the department must be disclosed under 'Other expenses' and classified as a donation/gift in the notes to the financial statements.

Application

For further information, refer to APG 5 *Losses and Special Payments*.

Agencies also should have regard to the *Policy for the Giving and Receipt of Gifts and Benefits by Employees of the Queensland Public Sector* issued by the Office of the Public Service Commissioner in relation to their reportable gifts.

6.3.4 Insured Losses and Insurance

Policy

- A loss which is subject to an insurance recovery must be separately disclosed with a cross-reference to the note where any recovery revenue is recognised. The reimbursement receivable must be treated as a separate asset to any provision that is recognised. Receivables and income in respect of insurance recoveries must not be recognised unless it is virtually certain that the insurer will accept the claim.
- Insurance premiums paid to the Queensland Government Insurance Fund must be separately disclosed as ‘Other expenses – Insurance premiums QGIF’.
- WorkCover premiums are not disclosed under this item, rather under ‘Employee Expenses’ (refer to APG 10 *Accounting for Employee Benefits*).

Application

For whole-of-Government reporting purposes in Tridata, insurance recoveries from the Queensland Government Insurance Fund (QGIF) are to be accounted for against the expense recognised in respect of the loss. Therefore, whilst for agency financial reporting purposes, QGIF insurance recoveries are recognised as revenue, for whole-of-Government reporting in Tridata, these recoveries are credited against the relevant expense and as such, not recognised as revenue.

6.3.5 Finance/Borrowing Costs

Prescribed Requirements

AASB 123 *Borrowing Costs*,
AASB 101 *Presentation of Financial Statements*

Policy

- All finance/borrowing costs must be expensed as per the benchmark treatment in AASB 123 even where these costs are directly attributable to the acquisition, construction or production of a qualifying asset.
- The financial statements must disclose the accounting policy adopted for finance/borrowing costs.

6.4 OPERATING RESULT

Policy

- Where the Operating Result for the year is a deficit, this must be clearly shown by the use of brackets around the relevant amount.

6.5 ADMINISTERED INCOME STATEMENT

Prescribed Requirement

AASB 1050 Administered Items

Policy

- Where ‘administered’ transactions are material in the context of the department’s overall financial performance, they must be reported as discrete financial statements. Otherwise, they may be disclosed as notes to the ‘controlled’ financial statements.
- The note relating to administered items must distinguish it clearly from controlled items.
- Administered revenue must include details of:
 - administered item revenue;
 - taxes, fees and fines; and
 - interest revenue.
- A reconciliation of payments from Consolidated Fund to administered revenue must be shown in a note.
- Transfers and unforeseen expenditure must be supported by appropriate Treasurer/Governor in Council approval.
- Administered expense disclosures must include details of:
 - any transfer payments made (e.g. grants and subsidies), including details of the broad categories of recipients and the amounts transferred to those recipients;
 - the transfer to Government of taxes, fees and fines; and
 - the transfers to Government of interest and other revenues collected on behalf of the whole-of-Government.

Application

Refer to APG 12 *Controlled and Administered Transactions and Balances*.

6.6 INCOME STATEMENT BY OUTPUTS/MAJOR ACTIVITIES

Prescribed Requirements

AASB 1052 Disaggregated Disclosures

Policy

- An Income Statement for each output/major activity must be prepared and included in the financial statements of each department which has more than one output.

- **Outputs/Major Activities must accord with those included in the Service Delivery Statements ('SDS'), including any approved variations. If the SDS does not disclose any outputs/major activities, an Income Statement by Outputs/Major Activities must still be prepared as required by paragraph 15 of AASB 1052 if there is more than one output.**
- **The Income Statement by Outputs/Major Activities must disclose the expenses and revenues recognised in the (Controlled) Income Statement that can be attributed reliably to each output/major activity.**
- **Where a department undertakes, through CBUs, activities that are not outputs, the expenses and revenues for each CBU must be presented as separate columns in the Income Statement by Outputs/Major Activities.**
- **Where a department is the host agency for a shared services provider, the expenses and revenues for the shared services provider need not be presented as a separate column in the Income Statement by Outputs/Major Activities.**
- **Inter-output/activity trading must be reflected in full in the respective output/activity columns and eliminated in the 'Inter-Output/Activity Eliminations' column so as to reconcile with the primary financial statements.**
- **The allocation to corporate services (included in relevant output income and expenses) must be disclosed separately.**
- **Where there has been an approved change in outputs from the comparative period, this should be disclosed in the notes to and forming part of the financial statements and comparative figures disclosed, unless impracticable, in the Income Statement by Outputs/Major Activities.**
- **Where a department provides non-output related services to other entities on a 'fee for service' arrangement, the 'General – Not Attributed' column should be used to record the revenues and expenses from these activities.**

7. BALANCE SHEET

Prescribed Requirements

AASB 101 Presentation of Financial Statements

Policy

- Except where another accounting standard requires otherwise, assets and liabilities must be categorised either as current or non-current. All agencies are deemed to have an operating cycle of 12 months for the purposes of classifying current and non-current assets and liabilities.
- The amount and particulars of each class of asset and liability included in determining the total of that category recognised in the Balance Sheet must be disclosed in the notes to and forming part of the financial statements.
- Additional line items, headings and subtotals must be presented on the face of the balance sheet when such presentation is relevant to an understanding of the agency's financial position.
- The line item for 'Other' assets/liabilities should not exceed 10% of the value of total assets/liabilities.
- As a minimum, the face of the balance sheet must include the line items specified in paragraph 68 of AASB 101.
- When an agency presents current and non-current assets and current and non-current liabilities as separate classifications on the face of its balance sheet, it must not classify deferred tax assets (liabilities) as current assets (liabilities).
- Assets and liabilities must not be offset unless required or permitted by an Australian accounting standard.

7.1 CASH AND CASH EQUIVALENTS

Prescribed Requirements

AASB 107 Cash Flow Statements,
AASB 101 Presentation of Financial Statements

Policy

- The total for cash and cash equivalents at the end of the reporting period as disclosed in the Cash Flow Statement, must reconcile with the equivalent items reported in the balance sheet.

7.2 NON-CURRENT ASSETS HELD FOR SALE

Prescribed Requirements

AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*
Non-Current Asset Policies for the Queensland Public Sector

Policy

- The agency must comply with the requirements included in *Non-Current Asset Policies for the Queensland Public Sector*, Chapter 6 'Non-Current Assets Held for Sale'.

7.3 NON-CURRENT PHYSICAL ASSETS

Prescribed Requirements

AASB 116 *Property, Plant and Equipment*,
AASB 1051 *Land Under Roads*
Non-Current Asset Policies for the Queensland Public Sector

Policy

- Land, buildings, infrastructure, major plant and equipment, heritage and cultural assets, and library reference collections must be carried at 'fair value' after initial recognition at cost, in accordance with AASB 116 and Treasury's *Non-Current Asset Policies for the Queensland Public Sector*, to the extent that they are not classified as investment property or as held for sale.
- Plant and equipment and work in progress must be carried at cost.
- The financial statements must provide the disclosures required by paragraphs 73, 74, 77 and Aus77.1 of AASB 116.
 - Disclosure is:
 - **required** of the gross cost or gross revalued amount of any fully depreciated property, plant and equipment that is still in use and also the gross cost of any assets written down to residual value still in use;
 - **required** of the carrying amount of temporarily idle physical assets where at reporting date, the idle asset is expected to be restored to active service and not derecognised (see Application section for details about recommended disclosures and definition);
 - **required** of the carrying amount of physical assets retired from active use, but not classified as held for sale; and

- **not required of the fair value of plant and equipment as it is not considered to be materially different from the cost for this class of asset.**
- **The agency must comply with the requirements included in the *Non-Current Asset Policies for the Queensland Public Sector*.**
- **With regard to asset recognition and valuation, agencies must comply with the *Non-Current Asset Policies for the Queensland Public Sector*, Chapter 2 ‘Recognition of Assets’ and Chapter 4 ‘Valuation of Assets’, respectively.**
- **With the depreciation of non-current physical assets, agencies must comply with the *Non-Current Asset Policies for the Queensland Public Sector*, Chapter 8 ‘Depreciation and Amortisation’.**
- **To account for complex assets and their significant components, agencies must comply with the *Non-Current Asset Policies for the Queensland Public Sector*, Chapter 3 ‘Complex Assets and Their Significant Components’.**
- **For financial reporting purposes, all agencies are to adopt the asset classes and not-for-profit agencies are to adopt the recognition thresholds for non-current physical assets set out in the *Non-Current Asset Policies for the Queensland Public Sector*, Appendix 2.1 ‘Non-Current Asset Classes and Threshold’.**

Application

The policy for accounting for land under roads applicable as from 2008-09 is in the process of being finalised. An addendum will be issued once the policy is finalised.

For the purpose of disclosures about temporarily idle assets, and those retired from active use, an idle or permanently retired asset exists where:

- the asset has not been employed and/or has been unoccupied for 12 months or more;
- the carrying amount of the idle/permanently retired asset is material to the relevant asset class; and
- a temporarily idle asset is intended to be re-employed by the agency in future reporting periods; whereas, for permanently retired assets, no plans exist to re-instate the asset to use.

Where idle assets are identified, agencies are required to disclose by class the following:

- the total carrying amount of idle assets;
- the reason(s) why the assets have been idle;
- where practical, if or when they are expected to be re-employed and/or occupied; and
- the period during which the assets have been idle (disclosed over a range e.g. 2-5 years).

Disclosures by class of permanently retired assets that are not classified as held for sale is required as follows:

- the total carrying amount of permanently retired assets;
- the reason(s) why the assets have been retired;

- the reason(s) why the assets have not been sold or are not held to be sold; and
- the period during which the assets have been permanently retired (disclosed over a range e.g. 2-5 years).

7.4 ASSETS ACQUIRED AT NO OR NOMINAL COST

Prescribed Requirements

AASB 116 *Property, Plant and Equipment*,
AASB 138 *Intangible Assets*
Non-Current Asset Policies for the Queensland Public Sector

Policy

- **The agency must comply with the requirements included in *Non-Current Asset Policies for the Queensland Public Sector*, Section 2.3.2 ‘Assets Acquired at No Cost or for Nominal Consideration’ and Section 4.7.3 ‘Acquisition at other than Fair Value’.**

7.5 RESTRICTED ASSETS

Prescribed Requirements

AASB 116 *Property, Plant and Equipment*
SAC 2 *Objective of General Purpose Financial Reporting*
Non-Current Asset Policies for the Queensland Public Sector

Policy

- **The agency must comply with the requirements included in *Non-Current Asset Policies for the Queensland Public Sector*, section 12.3 ‘Restricted Assets’.**

7.6 INTANGIBLE ASSETS

Prescribed Requirements

AASB 138 *Intangible Assets*,
AASB 101 *Presentation of Financial Statements*
Interpretation 132 *Intangible Assets – Web Site Costs*
Non-Current Asset Policies for the Queensland Public Sector

Policy

- **For financial reporting purposes, all agencies are to adopt the asset classes and not-for-profit agencies are to adopt the recognition thresholds for Intangibles set out in**

the *Non-Current Asset Policies for the Queensland Public Sector*, Appendix 2.1 'Non-Current Asset Classes and Thresholds'.

- Software developed for resale must be classified as inventory in terms of AASB 102 *Inventories*.
- The agency must comply with the requirements included in *Non-Current Asset Policies for the Queensland Public Sector*, Chapter 11 'Intangible Assets'.
 - In addition, disclosure is required:
 - of the carrying amount of temporarily idle intangible assets where at reporting date, the idle asset is expected to be restored to active service and not derecognised (see Application section for details about recommended disclosures and definition); and
 - of the carrying amount of intangible assets retired from active use, but not classified as held for sale.

Application

For further information, refer to Interpretation 132 *Intangible Assets – Web Site Costs*.

Guidelines for the treatment of costs associated with the implementation of the whole-of-Government SAP R/3 Finance and Human Resources Financial Management Information Systems is available to users of the Queensland Government's GovNet website at :

http://corptech.govnet.qld.gov.au/forms_processes/capitalisation_guidelines/index.shtml

For the purpose of disclosures about temporarily idle assets, and those retired from active use, an idle or permanently retired asset exists where:

- the asset has not been employed and/or has been unoccupied for 12 months or more;
- the carrying amount of the idle/permanently retired asset is material to the relevant asset class; and
- a temporarily idle asset is intended to be re-employed by the agency in future reporting periods; whereas, for permanently retired assets, no plans exist to re-instate the asset to use.

Where idle assets are identified, agencies are required to disclose by class the following:

- the total carrying amount of idle assets;
- the reason(s) why the assets have been idle;
- where practical, if or when they are expected to be re-employed and/or occupied; and
- the period during which the assets have been idle (disclosed over a range e.g. 2-5 years).

Disclosures by class of permanently retired assets that are not classified as held for sale is required as follows:

- the total carrying amount of permanently retired assets;
- the reason(s) why the assets have been retired;

- the reason(s) why the assets have not been sold or are not held to be sold; and
- the period during which the assets have been permanently retired (disclosed over a range e.g. 2-5 years).

7.7 IMPAIRMENT

Prescribed Requirements

*AASB 136 Impairment of Assets,
Non-Current Asset Policies for the Queensland Public Sector*

Policy

- **An agency must comply with the requirements included in *Non-Current Asset Policies for the Queensland Public Sector*, Chapter 7 ‘Impairment of Assets’.**

7.8 INVESTMENT PROPERTY

Prescribed Requirements

*AASB 140 Investment Property,
Non-Current Asset Policies for the Queensland Public Sector*

Policy

- **An agency must comply with the requirements included in *Non-Current Asset Policies for the Queensland Public Sector*, Chapter 10 ‘Investment Property’.**

7.9 PROVISIONS

Prescribed Requirements

AASB 137 Provisions, Contingent Liabilities and Contingent Assets

Policy

- **A provision must only be recognised when:**
 - **an agency has a present obligation (legal or constructive) as a result of a past event;**
 - **it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and**
 - **a reliable estimate can be made of the amount of the obligation.**

- The amount recognised as a provision must be the best estimate of the expenditure required to settle the present obligation at the reporting date taking into account future risks and uncertainties.
- Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Gains from the expected disposal of assets must not be taken into account in measuring a provision.
- Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement must only be recognised when it is virtually certain that reimbursement will be received if the agency settles the obligation. The reimbursement must be treated as a separate asset. The amount recognised for the reimbursement must not exceed the amount of the provision.
- In the Income Statement, the expense relating to a provision must not be presented net of the amount recognised for a reimbursement.
- Provisions must be reviewed at each reporting date and adjusted to reflect the current best estimate.
- If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision must be reversed.
- Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as a finance/borrowing cost.
- Provisions must not be recognised for future operating losses.
- If an agency has a contract that is onerous, the present obligation under the contract must be recognised and measured as a provision. However, before an agency establishes a separate provision for an onerous contract, it must first recognise any impairment loss that has occurred on assets dedicated to that contract.
- The agency must provide the disclosures required in paragraphs 84 to 92 of AASB 137.

7.10 UNDRAWN BORROWING FACILITIES

Prescribed Requirements

AASB 107 Cash Flow Statements

Policy

- Disclosure is required in the notes to the financial statements of the amount of undrawn borrowings (such as credit standby arrangements and unused loan facilities) that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities.

7.11 GOODS AND SERVICES TAX RECEIVABLE/PAYABLE

Prescribed Requirements

Interpretation 1031 Accounting for the Goods and Services Tax (GST)

Policy

- **At reporting date, the net amount owed to the agency or owing to the Australian Taxation Office (ATO) must be recognised in the Balance Sheet as a current receivable or payable (whichever is appropriate).**
- **At reporting date, the amount of input tax credits receivable from the ATO and separately, the GST payable to the ATO, must be disclosed in the notes.**

Application

Interpretation 1031 Accounting for the Goods and Services Tax (GST) requires GST relating to receivables and payables be recognised, but is silent on the issue of GST relating to accrued revenues and expenses.

GST legislation states that a liability occurs when a tax invoice has been issued for the supply or the payment for a taxable supply has been received, whichever occurs earlier. The same rule applies to the entitlement to claim an input tax credit i.e. either a tax invoice is received for the supply or the payment for the taxable supply has been made, whichever occurs first.

An 'accrual' becomes a 'creditor' when an invoice is received with an invoice date within the financial reporting period. As a general rule, accrued liabilities are to be recognised exclusive of GST while creditors are inclusive of GST.

Invoices received after financial year end must be recognised as liabilities inclusive of GST (if material) if the tax invoice is dated prior to year end. These represent creditors at balance date due to the supply of goods or services prior to the end of the financial year.

If the invoice is dated after year end for services provided prior to the year end, there is no entitlement to an input tax credit at balance date and therefore, the liability is an accrual and must be recorded exclusive of GST.

Any GST-inclusive liabilities recognised after the submission of the BAS will result in the need for a reconciliation of figures between the financial statements and the BAS (the latter having been determined based on general ledger figures as at the dated submission of the BAS).

Payments received in advance of a tax invoice being issued by the agency trigger a GST liability and corresponding liability to remit GST according to the GST legislation. Such a prepayment received prior to the year-end must be reported inclusive of GST.

When no tax invoice has been issued or no payment has occurred, accruals for revenues and expenses (that result in receivables and payables) should be reported exclusive of GST, as they represent an estimate only of charges that have been neither invoiced nor paid.

For information on the policy regarding the disclosure of GST in the Cash Flow Statement, refer to FRR 9.1 *Disclosure of GST*.

7.12 ADMINISTERED BALANCE SHEET

Prescribed Requirement

AASB 1050 *Administered Items*

Policy

- Where ‘administered’ account balances are material in the context of the department’s overall financial position, they must be reported as discrete financial statements. Otherwise, they may be disclosed as notes to the ‘controlled’ financial statements.
- The note relating to administered items must distinguish it clearly from controlled items.

Application

Refer to APG 12 *Controlled and Administered Transactions and Balances*.

7.13 STATEMENT OF ASSETS AND LIABILITIES BY OUTPUTS/MAJOR ACTIVITIES

Prescribed Requirements

AASB 1052 *Disaggregated Disclosures*

Policy

- A statement of total assets and total liabilities for each output/major activity must be prepared and included in the financial statements of each department which has more than one output.
- Outputs/Major Activities must accord with those included in the Service Delivery Statements (‘SDS’), including any approved variations. If the SDS does not disclose any outputs/major activities, a Statement of Assets and Liabilities by Outputs/Major Activities must still be prepared as required by paragraph 16 of AASB 1052 if there is more than one output.
- The statement of total assets and total liabilities by Outputs/Major Activities must disclose the assets deployed and liabilities incurred in the (Controlled) Balance Sheet that can be attributed reliably to each output/major activity.

- Where a department undertakes, through CBUs, activities that are not outputs, the assets and liabilities for each CBU must be presented as separate columns in the statement of total assets and total liabilities by Outputs/Major Activities.
- Where a department is the host agency for a shared services provider, the assets and liabilities for the shared services provider need not be presented as a separate column in the Statement of Assets and Liabilities by Outputs/Major Activities.
- Inter-output/activity trading must be reflected in full in the respective output/activity columns and eliminated in the 'Inter-Output/Activity Eliminations' column so as to reconcile with the primary financial statements.
- Where there has been an approved change in outputs from the comparative period, this should be disclosed in the notes to and forming part of the financial statements and comparative figures disclosed, unless impracticable, in the Statement of total assets and total liabilities by Outputs/Major Activities.
- Where a department provides non-output related services to other entities on a 'fee for service' arrangement, the 'General – Not Attributed' column should be used to record the assets and liabilities from these activities.

Application

Departments are encouraged to disclose assets and liabilities by category consistent with Department's Balance Sheet.

Refer to APG 12 *Controlled and Administered Transactions and Balances*.

8. STATEMENT OF CHANGES IN EQUITY

Prescribed Requirements

AASB 101 Presentation of Financial Statements

Policy

- An agency must present a separate Statement of Changes in Equity showing on the face of the statement:
 - operating surplus or deficit for the period;
 - each item of income and expense for the period that, as required by other Australian accounting standards, is recognised directly in equity, and the total of these items;
 - total income and expense for the period (calculated as the sum of the two points above), showing separately the total amounts attributable to equity holders of the parent and to minority interest; and
 - 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*.
 - the amounts of transactions with equity holders acting in their capacity as equity holders, showing separately distributions to equity holders;
 - the balance of retained earnings (i.e. accumulated surplus or deficit) at the beginning of the period and at the reporting date, and the changes during the period; and
 - a reconciliation between the carrying amount of each class of contributed equity and each reserve at the beginning and the end of the period, separately disclosing each change.
- For not-for-profit entities, the asset revaluation reserve must be dissected so as to show separately each class of asset revalued and the closing balance of the asset revaluation reserve by class.
- An agency must not create a reserve (other than a reserve required by accounting standards eg. an asset revaluation reserve or a foreign currency translation reserve) without prior Treasury approval. A request for Treasury approval must clearly explain the purpose of the reserve and how it will be operated on an ongoing basis, including whether the intended reserve is associated with a future cash outlay. All such Treasury-approved reserves must be reviewed annually for continued appropriateness for the agency's present operations. Where a reserve is no longer appropriate, the balance must be transferred to retained earnings.
- Note disclosure must be made of:

- **Reconciliation of Payments from Consolidated Fund to Equity Adjustment Recognised in Contributed Equity; and**
 - **The reasons for any unforeseen expenditure.**
-
- **Transfers and unforeseen expenditure must be supported by appropriate Treasurer/Governor in Council approvals.**

9. CASH FLOW STATEMENT

Prescribed Requirements

*AASB 107 Cash Flow Statements,
Interpretation 1031 Accounting for the Goods and Services Tax (GST)*

Policy

- A Cash Flow Statement is not required for a department's 'administered' transactions if the 'note only' presentation is adopted.
- An agency must report cash flows from operating activities using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.
- A reconciliation of cash flows arising from operating activities to the operating surplus or deficit disclosed in the Income Statement must be disclosed in the financial statement.
- An agency must report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities, except where:
 - cash receipts and payments are on behalf of customers and the cash flows reflect the activities of the customer rather than those of the agency; and
 - cash receipts and payments are for items in which the turnover is quick, the amounts are large, and the maturities are short.
- Cash flows from interest paid and interest and dividends received must each be disclosed separately as operating cash flows.
- Cash flows arising from taxes on income must be separately disclosed and must be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.
- Investing and financing transactions that do not require the use of cash or cash equivalents must be excluded from a cash flow statement. Such transactions must be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.
- An agency must disclose the components of cash and cash equivalents and must present a reconciliation of the amounts in its cash flow statement with the equivalent items reported in the balance sheet.
- An agency must disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the agency that are not available for use by the consolidated group.

- **AASB 107 allows dividends paid to be classified as operating cash flows as an alternative to the traditional treatment as a financing item. For the purpose of maintaining consistency with whole-of-Government reporting, agencies must classify dividends paid as a component of cash flows from financing activities.**

9.1 DISCLOSURE OF GST

Prescribed Requirements

Interpretation 1031 Accounting for the Goods and Services Tax (GST)

Policy

- **When accounting for GST cash flows, use of either the ‘two line’ method (disclosure of GST paid to the ATO and GST input tax credits received) or the ‘four line’ method (disclosing in addition to those items in the two line method, GST paid to suppliers and GST received from customers) is permitted. The preferred option is the ‘four line’ disclosure.**
- **All GST cash flows received from or paid to the ATO must be shown in the operating activities section of the Cash Flow Statement, even though some GST cash flows may relate to investing and financing activities.**

Application

For information regarding the disclosure and treatment of GST receivables/payables, and the inclusion of GST in accruals of revenue and expenses, refer to FRR 7.11 *Goods and Services Tax Receivable/Payable*.

10. NOTES TO THE FINANCIAL STATEMENTS

10.1 AGENCY OBJECTIVES

Prescribed Requirements

AASB 1052 *Disaggregated Disclosures*

Policy

- A summary of agency objectives must be included as the initial note if not otherwise disclosed in, or in conjunction with, the agency's financial statements. Detailed disclosure in an agency's annual report will satisfy this requirement, as long as the agency's financial statements are included in that document, and not published separately.

10.2 ACCOUNTING POLICIES

Prescribed Requirements

AASB 101 *Presentation of Financial Statements,*
AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors,*
AASB 1052 *Disaggregated Disclosures*
AASB 1050 *Administered Items*

Policy

- The Summary of Significant Accounting Policies must be included in the initial section of the notes to and forming part of the financial statements, and must disclose:
 - whether the financial statements is a general purpose financial statement;
 - whether the financial statements has been prepared in accordance with Australian accounting standards, the Treasurer's Minimum Reporting Requirements and other authoritative pronouncements;
 - the measurement bases used in preparing the financial statement;
 - all significant accounting policies that have been applied in the preparation and presentation of the financial statements; and
 - an explanation as to the distinction between controlled and administered items.
- If the going concern basis is not used, this must be disclosed in the notes to the financial statements together with the reasons for not applying that basis and the basis on which the financial statements have been prepared.

- An agency must disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations, management has made in the process of applying the agency's accounting policies that have the most significant effect on the amounts recognised in the financial statement.
- An agency must disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next annual reporting period. In respect of those assets and liabilities, the notes shall include details of:
 - their nature; and
 - their carrying amount as at the reporting date.
- An agency must disclose the following, if not disclosed elsewhere in information published, with the financial statement:
 - the domicile and legal form of the agency, its country of incorporation (where applicable) and the address of its registered office (or principal place of business, if different from the registered office);
 - a description of the nature of the agency's operations and its principal activities; and
 - the name of the parent and the ultimate parent of the group.

10.3 CHANGES IN ACCOUNTING POLICIES

Prescribed Requirements

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

Policy

- On initial application of an Australian accounting standard, an agency must disclose the information required in paragraph 28 of AASB 108.
- When a voluntary change in accounting policy has an effect on the current period or any prior period, an agency must disclose the information required in paragraph 29 of AASB 108.
- When an agency has not applied a new Australian accounting standard that has been issued but is not yet effective, the agency must disclose:
 - this fact; and

- known or reasonably estimable information relevant to assessing the possible impact that application of the new Australian accounting standard will have on the agency's financial statements in the period of initial application. In complying with this requirement, an agency should consider paragraph 31 of AASB 108.

Application

For further information, refer to APG 15 *Accounting Policies, Changes in Accounting Estimates and Errors*.

10.4 COMMITMENTS

Prescribed Requirements

AASB 101 *Presentation of Financial Statements*,
APG 9 *Definition and Recognition of Liabilities, Contingent Liabilities and Commitments*

Policy

- An agency must disclose the nature and amount of each individual and each class of capital commitments and of other expenditure commitments contracted for as at the reporting date, other than commitments for the supply of inventories, which have not been recognised as liabilities. The disclosures must be made in the following time bands, according to the time that is expected to elapse from the reporting date to their expected date of settlement:
 - within twelve months;
 - twelve months or longer and not longer than five years; and
 - longer than five years.

Application

Please note that any disclosure for Novated Lease commitments will fall under the operating leases class.

10.5 CONTINGENCIES

Prescribed Requirements

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*,
APG 9 *Definition and Recognition of Liabilities, Contingent Liabilities and Commitments*

Policy

- For each class of contingencies, the following information must be disclosed:
 - A brief description of the nature of the class;
 - An indication of the uncertainties relating to the amount or timing of any future sacrifice or inflow of economic benefits; and
 - An estimate of the potential financial effect or a statement that it is not practicable to make such an estimate if that is the case.
- For each class of contingent liabilities, the existence and amount of any possible recovery, e.g. from an insurance policy maintained by the department, must be disclosed.

Application

Refer to APG 9 *Definition and Recognition of Liabilities, Contingent Liabilities and Commitments* for more detailed guidance.

10.6 CONTROLLED ENTITIES

Prescribed Requirements

AASB 127 *Consolidated and Separate Financial Statements*

Policy

- The financial statements must disclose by way of a note to the accounts, each controlled entity of an agency together with details about audit arrangements.
- A brief description of the principal activities of the entity, the agency's interest in the entity and the basis of control must be provided.
- Disclosure must also be made of whether or not the entity's transactions and balances have been consolidated with those of the agency and if not, the reason why they are not consolidated.
- Where they have not been consolidated, the aggregate of revenues, expenses, assets and liabilities of the entity must be disclosed, including comparatives.
- In the controlled entity note for host agencies of SSPs and CorpTech, these entities should be listed as controlled entities so as to be consistent with the form of financial reporting used.
- It should also be disclosed that the Auditor-General is the auditor of the controlled entities.

Application

For further guidance, refer to APG 14 *Consolidated Financial statements*.

10.7 TRUST MONEYS

Policy

- The notes to the financial statements must show details of any material trust transactions and balances, including revenue, expenditure, assets and liabilities, together with applicable audit arrangements.
- Where the agency earns fees and/or incurs expenses in the course of rendering services as a trustee or manager of a trust, these must be recognised as controlled transactions.

10.8 COLLECTIONS AS AN AGENT

Policy

- The notes to the accounts must disclose in aggregate a reconciliation of the amount collected as an agent for the reporting period, the amount distributed to external parties during the reporting period and the amount undistributed to them at balance date as well as a broad description of the principal external parties for which the agency acts as an agent.
- Where the agency earns revenue and/or incurs expenses in its capacity as an agent these amounts must be recognised as controlled transactions.
- Where employees have authorised the agency to make deductions from their wages and salaries for on-payment to third parties, these transactions must be treated as collections as an agent.

10.9 PRIVATE PROVISION OF PUBLIC INFRASTRUCTURE (PPPI) ARRANGEMENTS

Policy

The following minimum information on PPPI arrangements must be disclosed as a note to the accounts:

- A description of the arrangement, identifying its duration and key features;
- The names of the other entities involved in the arrangement;
- A description and value of the assets relinquished or acquired and the liabilities incurred under the arrangement, distinguishing between those recognised and not recognised in the Balance Sheet e.g. land/property donated to another entity; rights

to use land/property; guarantees and indemnities provided; obligations to pay availability and/or service charges; rights to receive facilities and/or services; and rights to operate in a restricted market or to levy user charges;

- The nature and amount of any revenues and expenses recognised upon entering the arrangement;
- The nature, amount and timing of commitments for the transfer of non-current assets and lump sum payments to be made in the future;
- Fixed and variable cash flows, where determinable, are to be classified separately into the following time bands according to the time expected to elapse from the reporting date to their expected date of settlement:
 - within twelve months;
 - twelve months or longer and not longer than five years;
 - longer than five years and not longer than ten years; and
 - longer than ten years.
- The major assumptions employed in determining variable cash flows.

10.10 FINANCIAL INSTRUMENTS

Prescribed Requirements

AASB 139 *Financial Instruments: Recognition and Measurement,*
AASB 132 *Financial Instruments: Presentation,*
AASB 7 *Financial Instruments: Disclosures*

Policy

AASB 139:

- Financial assets and financial liabilities to be recognised on the balance sheet.
- Financial instruments are to be classified into the following categories:
 - a financial asset or financial liability at fair value through profit or loss;
 - held-to-maturity investments;
 - loans and receivables;
 - available-for-sale financial assets; or
 - a financial liability not at fair value through profit or loss.

- Gains or losses resulting from a hedge of a forecast transaction, which becomes a firm commitment to which fair value hedge accounting is applied, are to be included in the initial cost of the asset or liability.

AASB 132:

- Establishes principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities, and applies to the:
 - classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments;
 - the classification of related interests, dividends, losses and gains; and
 - the circumstances in which financial assets and financial liabilities can be offset.

AASB 7:

- Agencies must disclose:
 - the significance of financial instruments for an entity's financial position and performance;
 - qualitative and quantitative information about the nature and extent of exposure to risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages those risks, including specified minimum disclosures about credit risk, liquidity risk and market risk; and
 - the amount reclassified into and out of each category and the reason for reclassification, in the event that a financial asset is reclassified between cost or amortised cost and fair value.

Application

Australian accounting standards AASB 139, AASB 132 and AASB 7 are complementary in providing principles for the recognition and measurement; presentation; and disclosure (respectively) of financial assets and liabilities.

Further guidance about recognition, measurement, disclosure and presentation of financial instruments is contained in APG 16 *Recognition, Presentation and Disclosure of Financial Instruments*.

10.11 AUDITOR REMUNERATION

Prescribed Requirements

AASB 101 Presentation of Financial Statements

- An agency, other than a group, must disclose in the financial statement, the amounts paid or payable to the auditor of the agency for an audit or a review of the financial statements of the agency. In addition, in the notes to the financial statements, agencies are required to disclose the amount quoted for the audit fee for that particular financial year (as per the Client Service Plan).
- Information must be disclosed in the financial statements of a group regarding the amounts paid or payable to:
 - the auditor of the parent of the group, for an audit or a review of the financial statements of any entity in the group; and
 - the auditors of the controlled entities in the group, other than those disclosed in accordance with the above paragraph, for an audit or a review of the financial statements of those entities. (Refer also to FRR 6.3 *Expenses*.)

10.12 SEGMENT REPORTING AND RELATED PARTY DISCLOSURES

Prescribed Requirements

AASB 114 Segment Reporting,
AASB 124 Related Party Disclosures

- Not-for-profit entities are exempted from the application of *AASB 114 Segment Reporting*.
- Queensland Government departments and statutory bodies are also effectively exempt from the application of *AASB 124 Related Party Disclosures*.
- Commercialised business units (CBUs) of departments are exempt from applying these standards, as they form part of the department (whether or not the CBUs are for-profit). This exemption does not extend to for-profit statutory bodies.

11. REPORTING REQUIREMENTS FOR SHARED SERVICE PROVIDERS

Policy

- **Shared Service Providers (SSPs) and CorpTech must prepare separate general purpose financial statements.**
- **The host agencies of SSPs/CorpTech must prepare AASB 127 consolidated financial statements to provide added disclosure to users of those statements. A policy note explaining that consolidated statements are prepared for disclosure purposes must be included in the departmental financial statements. (Refer FRR 5.9 Consolidation.)**

Application

Under relevant business arrangements SSPs and CorpTech must:

- Produce separate general purpose financial statements in accordance with Australian accounting standards;
- Consolidate their financial statements within their host agency's departmental statements;
- Provide high level information on their performance for inclusion in their host agency's annual report;
- Produce an annual review of their performance through an annual report-style document separate to their host agency's annual report.

12. MANAGEMENT CERTIFICATE

Prescribed Requirements

Financial Administration and Audit Act 1977

Policy

- **A Management Certificate must be provided by the Accountable Officer and the Chief Financial Officer of the agency or in the absence of one of these officers, by the person formally appointed to perform that person's duties.**
- **The Chief Financial Officer responsible for the financial administration of the agency must indicate in the Management Certificate, by way of post-nominals, any relevant professional qualifications that they hold. The Accountable Officer may, where appropriate, also include relevant professional qualifications by way of post-nominals.**

Application

The certificate should only be given if both officers are satisfied that the financial statements disclosures are fair and reasonable.

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