

Attachment A

REPORTING STANDARDS

The *Charter of Budget Honesty Act 1998* requires that the Pre-Election Economic and Fiscal Outlook (PEFO) be based on external reporting standards and that departures from applicable external reporting standards be identified.

This attachment describes the external reporting standards upon which the financial statements in Attachment B are based. The standards are consistent with those used in the 2007-08 Budget and the 2007-08 MYEFO.

The major external standards used for PEFO reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods* cat. no. 5514.0, which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and
- Australian Accounting Standards (AAS), being the Australian Equivalents to International Financial Reporting Standards (AEIFRS) and AAS 31 *Financial Reporting by Governments*.

Consistent with the presentation adopted by the Government in the 2007-08 MYEFO, the PEFO tables, with the exception of tables in Appendix A, do not include goods and services tax (GST) collections and equivalent payments to the States and Territories (the States), which is a departure from ABS GFS and AAS. Estimates of GST receipts are provided in Table A5 of Appendix A.

ABS GFS requires that provisions for bad and doubtful debts be excluded from the balance sheet. This treatment has not been adopted because excluding such provisions would overstate the value of Australian Government assets in the balance sheet (and would, therefore, be inconsistent with the market valuation principle).

The AAS financial statements currently record IMF Special Drawing Rights (SDRs) as a liability. This is consistent with AAS. The GFS statements also record SDRs as a liability. However, in accordance with the IMF's GFS manual, IMF SDRs are not treated as a liability in ABS GFS although IMF treats them this way in some of its other documentation. The statistical standard underpinning the GFS manual (the System of National Accounts 1993) is currently being updated and includes a proposal to treat SDRs as a liability.

The GFS financial statements currently adopt the AAS treatment for circulating coins. Under this treatment revenue is recognised upon the issue of coins and no liability is recorded, as there is no legal obligation requiring coins on issue to be repurchased by

the Australian Government. However, in ABS GFS, coins on issue are treated as a liability and no revenue is recognised. The treatment of coins on issue is listed for clarification as part of the update of the statistical standard referred to above.

ABS GFS also requires defence weapons be treated as expenses. This treatment is currently adopted in the GFS financial statements; however the update of the statistical standard is expected to change the treatment of defence weapons to assets. The AAS financial statements record defence weapons as assets, which is consistent with AAS.

Defence weapons inventories acquired and disposed of during the estimates periods are recorded as capital investment rather than expenses until such inventories can be reliably identified and measured. Consistent with the *Final Budget Outcome 2006-07*, defence weapons inventories at 2006-07 have been removed from the balance sheet for budget reporting purposes.