

APPENDIX B: AUSTRALIAN ACCOUNTING STANDARDS FINANCIAL STATEMENTS

This Appendix presents financial statements that have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards (AAS), being the Australian Equivalents to International Financial Reporting Standards (AEIFRS) and AAS 31 *Financial Reporting by Governments*, except where departures from the standards are identified in Note 1.

A reconciliation between the Australian Government's general government sector AAS financial statements and Government Finance Statistics (GFS) revenue, expenses and operating results is provided in Appendix A.

Table B1: Australian Government general government sector income statement

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Revenues				
Taxation				
Income tax	203,058	213,214	226,279	233,039
Indirect tax	30,411	31,071	31,391	31,761
Other taxes	2,199	2,322	2,219	2,283
Total taxation revenue	235,668	246,607	259,890	267,083
Non-taxation				
Sales of goods and services	5,191	5,322	5,452	5,567
Interest and dividends	8,663	9,306	10,142	11,180
Other sources of non-tax revenue	3,670	3,671	3,810	3,955
Total non-tax revenue	17,524	18,299	19,404	20,702
Total revenue	253,192	264,906	279,294	287,784
Gains				
Net foreign exchange gains	0	0	0	0
Net gains from sale of assets	18	1,523	0	4
Other gains	976	3,452	4,248	4,534
Total gains	994	4,975	4,248	4,538
Income	254,186	269,881	283,542	292,322
Expenses				
Goods and services				
Employees	27,387	27,584	28,382	29,379
Suppliers	23,402	23,353	23,139	23,069
Depreciation and amortisation	5,221	5,391	5,359	5,242
Net write-down and impairment of assets and fair value losses	3,692	3,752	3,865	3,968
Net foreign exchange losses	0	0	0	0
Net losses from sale of assets	0	0	0	0
Other goods and services expenses	8,333	8,788	9,584	10,289
Total goods and services	68,036	68,868	70,329	71,947
Subsidies benefits and grants				
Personal benefits	102,908	109,653	116,258	123,742
Subsidies	12,900	13,622	14,373	14,769
Grants	48,739	51,570	52,713	53,572
Total subsidies benefits and grants	164,547	174,845	183,345	192,083
Borrowing costs				
Interest	5,677	5,261	4,964	4,562
Other borrowing costs	303	357	382	282
Total interest and other borrowing costs	5,980	5,619	5,347	4,844
Total expenses	238,563	249,332	259,021	268,874
Operating result	15,623	20,549	24,522	23,448

Table B2: Australian Government general government sector balance sheet

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Assets				
Financial assets				
Cash	577	592	457	791
Receivables	35,326	36,968	38,717	41,013
Investments	129,418	148,892	169,534	181,243
Equity accounted investments	185	185	185	185
Accrued revenue	2,956	3,167	3,220	3,154
Other financial assets	38	39	41	21
Total financial assets	168,500	189,843	212,153	226,407
Non-financial assets				
Land and buildings	23,921	25,229	26,022	27,078
Infrastructure	43,925	47,052	50,917	54,510
Heritage and cultural assets	8,245	8,258	8,280	8,294
Intangibles	2,427	2,527	2,448	2,353
Investment property	110	104	100	98
Biological assets	3	4	5	6
Assets held for sale	159	164	169	177
Inventories	6,100	6,224	6,402	6,585
Other non-financial assets	3,661	2,233	1,748	1,684
Total non-financial assets	88,552	91,796	96,090	100,783
Total assets	257,052	281,638	308,244	327,191
Liabilities				
Debt				
Government securities	59,288	59,469	58,917	50,947
Loans	6,080	5,803	5,573	5,628
Leases	283	747	712	672
Deposits	263	263	263	263
Overdrafts	0	0	0	0
Other debt	1,065	1,055	1,035	1,032
Total debt	66,979	67,336	66,500	58,542
Provisions and payables				
Employees	115,357	119,483	123,583	127,803
Suppliers	3,390	3,479	3,530	3,589
Personal benefits payable	7,489	7,684	7,798	8,098
Subsidies payable	1,317	1,264	1,227	1,304
Grants payable	1,020	1,080	1,019	1,077
Other provisions and payables	12,734	12,784	12,854	12,899
Total provisions and payables	141,307	145,774	150,011	154,771
Liabilities associated with assets held for sale	0	0	0	0
Total liabilities	208,286	213,110	216,510	213,313
Net assets	48,767	68,529	91,733	113,878
Equity				
Accumulated results	-13,262	7,502	32,438	56,354
Reserves	62,029	61,027	59,295	57,524
Capital	0	0	0	0
Total equity	48,767	68,529	91,733	113,878

Table B3: Australian Government general government sector statement of changes in equity

	Accumulated results		Asset revaluation reserve		Other reserves		Contributed equity/capital		Total equity	
	2007-08 \$m	2008-09 \$m	2007-08 \$m	2008-09 \$m	2007-08 \$m	2008-09 \$m	2007-08 \$m	2008-09 \$m	2007-08 \$m	2008-09 \$m
Opening balance										
Balance carried forward from previous period	5,079	-13,262	19,325	19,415	8,612	42,613	0	0	33,016	48,767
Adjustment for errors/entity adjustments	-34,014	-17	-42	0	34,022	0	0	0	-34	-17
Adjustment for changes in accounting policy	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	-28,935	-13,279	19,283	19,415	42,634	42,614	0	0	32,982	48,750
Income and expense										
Revenues and expenses recognised directly in equity	na	na	na	na	0	0	na	na	0	0
Currency translation gain (loss)	na	na	113	30	0	0	na	na	113	30
Financial asset revaluations	na	na	32	35	na	na	na	na	32	35
Non-financial asset revaluations	na	na	na	na	na	na	na	na	na	na
Total revenues and expenses recognised directly in equity	0	0	145	65	0	0	0	0	145	65
Net operating result	15,623	20,549	na	na	na	na	na	na	15,623	20,549
Total income and expenses										
Transfers between reserves	23	-8	-16	2	-7	6	0	0	0	0
Dividends	0	0	0	0	0	0	0	0	0	0
Other movements	27	240	3	5	-13	-1,081	0	0	17	-836
Closing balance	-13,262	7,502	19,415	19,487	42,613	41,539	0	0	48,767	68,529

Table B3: Australian Government general government sector statement of changes in equity (continued)

	Accumulated results		Asset revaluation reserve		Other reserves		Contributed equity/capital		Total equity	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Opening balance										
Balance carried forward from previous period	7,502	32,438	19,487	19,567	41,539	39,728	0	0	68,529	91,733
Adjustment for errors/entity adjustments	-20	-76	0	-1	0	1	0	0	-20	-76
Adjustment for changes in accounting policy	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	7,482	32,363	19,487	19,566	41,540	39,728	0	0	68,509	91,657
Income and expense										
Revenues and expenses recognised directly in equity	na	na	na	na	0	0	na	na	0	0
Currency translation gain (loss)	na	na	30	37	0	0	na	na	30	37
Financial asset revaluations	na	na	43	34	na	na	na	na	43	34
Non-financial asset revaluations										
Total revenues and expenses recognised directly in equity	0	0	73	72	0	0	0	0	73	72
Net operating result	24,522	23,448	na	na	na	na	na	na	24,522	23,448
Total income and expenses										
Transfers between reserves	-7	-5	1	0	6	5	0	0	0	0
Dividends	0	0	0	0	0	0	0	0	0	0
Other movements	442	548	6	6	-1,818	-1,853	0	0	-1,370	-1,299
Closing balance	32,438	56,354	19,567	19,644	39,728	37,880	0	0	91,733	113,878

Table B4: Australian Government general government sector cash flow statement

	Estimates		Projections	
	2007-08	2008-09	2009-10	2010-11
	\$m	\$m	\$m	\$m
Operating activities				
Cash received				
Taxation	231,727	242,208	255,341	262,457
Sales of goods and services	5,446	5,593	5,701	5,813
Interest	6,168	5,518	6,355	7,036
Dividends	2,692	4,017	3,983	4,434
GST input credit receipts	3,957	3,926	3,889	3,882
Other	3,235	3,431	3,582	3,729
Total operating cash received	253,225	264,693	278,850	287,350
Cash used				
Payments to employees	23,147	23,429	24,252	25,129
Payments to suppliers	27,786	27,571	27,297	27,328
Subsidies paid	12,324	13,041	13,847	14,229
Personal benefits	102,402	109,388	116,104	123,444
Grant payments	48,344	50,351	52,427	53,569
Interest and other financing costs	5,753	5,427	4,956	5,404
GST payments to taxation authority	74	73	73	73
Other	8,171	8,664	9,483	10,213
Total operating cash used	228,001	237,944	248,438	259,389
Net cash from operating activities	25,225	26,749	30,412	27,961
Investing activities				
Cash received				
Proceeds from asset sales program	6,602	2,815	0	0
Proceeds from sales of property, plant and equipment and intangibles	301	258	254	88
Other net investing cash received	288	313	331	346
Total investing cash received	7,191	3,387	585	434
Cash used				
Purchase of property, plant and equipment and intangibles	8,159	9,488	10,148	9,812
Net loans, advances and HELP	2,052	1,924	1,806	2,008
Other net investing cash paid	25,200	18,731	18,341	9,119
Total investing cash used	35,410	30,143	30,296	20,939
Net cash from investing activities	-28,220	-26,756	-29,710	-20,505
Financing activities				
Cash received				
Net cash received from currency issues	0	0	0	0
Other	0	0	0	0
Total financing cash received	0	0	0	0
Cash used				
Net repayments of borrowings	-2,542	-167	699	6,995
Other	126	145	138	127
Total financing cash used	-2,416	-22	837	7,122
Net cash from financing activities	2,416	22	-837	-7,122
Net increase/decrease in cash held	-579	15	-135	334

NOTES TO THE AAS FINANCIAL STATEMENTS

Note 1: External reporting standards and accounting policies

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.

The financial statements included in this Appendix have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards (AAS), being the Australian Equivalents to International Financial Reporting Standards (AEIFRS) and AAS 31 *Financial Reporting by Governments* (AAS 31).

AAS requires governments to prepare accrual based general purpose financial reports. This means that assets, liabilities, income and expenses are recorded in financial statements when transactions have an economic impact on the government, rather than when the cash flow associated with these transactions occurs. Consistent with AAS, an income statement, a balance sheet, a statement of changes in equity, and a cash flow statement have been prepared for the current financial year and the three forward years.

The accounting policies in this Appendix are generally consistent with the accounting policies in AAS. While the scope for financial reporting recommended in AAS 31 is the whole of government (that is, the Australian Government public sector), in accordance with the *Charter of Budget Honesty Act 1998*, the PEFO presentation covers the general government sector only. This publication does not include full note disclosures.

AAS would suggest the gross amount of goods and services tax (GST) be included in the Australian Government's financial statements. However, consistent with the presentation adopted by the Government in the 2007-08 MYEFO, the PEFO AAS tables do not include GST cash flows and any accrued GST revenues and associated payments to the States and Territories (the States), which is a departure from AAS. Estimates of GST receipts are provided in Table A5 of Appendix A.

The new AEIFRS standard relating to superannuation is AASB 119 Employee Benefits. The standard requires the government bond rate at balance date to be referenced when valuing the superannuation liability, with the relevant bond yield to match the term of the liability. However, the longest maturing government bond is only 10 years, significantly shorter than the term of the superannuation liability. Therefore, in applying this standard, a longer term rate of 6 per cent as determined by actuaries is adopted to discount the liability for budget reporting. Guidance has been sought from the Australian Accounting Standards Board to clarify the differing interpretations in applying AASB 119 for outcomes.

