ARPC Dividend Revenue 2011-12

Treasury Accounting Treatment

Background

In 2012 the Australian Reinsurance Pool Corporation (ARPC) provided for a dividend payable to the Commonwealth, via Treasury.

The *Terrorism Insurance Act 2003* states:

38 Minister may give directions to Corporation

1. The Minister may give written directions to the Corporation in relation to the performance of its functions and the exercise of its powers.
2. The directions that may be given under subsection (1) include the following:
    a) directions requiring the Corporation to pay money to the Commonwealth;
3. Without limiting paragraph (2)(a), a direction under that paragraph may require the Corporation to make the following payments to the Commonwealth:
    a) payments in the nature of dividends.

The dividend was approved by the Minister for Financial Services and Superannuation on 21 June 2012 via a legislative instrument.

The legislative instrument can be found at: http://www.comlaw.gov.au/Details/F2012L01542

The dividend of $400 million is to be paid over 4 years as follows:

- $175 million – January 2013
- $75 million – January 2014
- $75 million – January 2015
- $75 million – January 2016

Key Accounting Issue

The key accounting issue for the dividend is the timing of recognition of the dividend revenue.

AASB 118 – Revenue states:

29. Revenue arising from the use by others of entity assets yielding interest, royalties and dividends shall be recognised on the bases set out in paragraph 30 when:
    a) it is probable that the economic benefits associated with the transaction will flow to the entity; and
    b) the amount of the revenue can be measured reliably.

30. Revenue shall be recognised on the following bases:

a) dividends shall be recognised when the shareholder's right to receive payment is established.

Accounting Treatment

The legislative instrument requires that the ARPC pay the Commonwealth a dividend according to the profile outlined in the instrument. The instrument effectively establishes the right to receive payment and also provides the basis of reliable measurement.

As the instrument was signed on 21 June 2012, the entire $400million is to be recorded as revenue with a corresponding receivable in 2011-12. As the payments are received from the ARPC the receivable will be reduced. The entries will be:

Sign	Account	2011-12 $'000	2012-13 $'000	2013-14 $'000	2014-15 $'000	2015-16 $'000
Dr	Dividend Receivable	400,000				
Cr	Dividend Revenue	400,000				
Dr	Cash		175,000	75,000	75,000	75,000
Cr	Dividend Receivable		175,000	75,000	75,000	75,000