

Document 1

RBA Dividend

Treasury is of the opinion that to book a receivable for a dividend not yet declared is incorrect and not in accordance with the applicable accounting standards. As such Treasury will not be booking a receivable for such a dividend. The following three facts support this.

Fact 1

Section 30 of the *Reserve Bank Act 1959* specifically states that the net profits of the RBA in each year shall be dealt with as follows:

- (aa) such amount as the **Treasurer**, after consultation with the Reserve Bank Board, **determines** is to be set aside for contingencies; and
- (b) such amount as the **Treasurer**, after consultation with the Reserve Bank Board, **determines** shall be placed to the credit of the Reserve Bank Reserve Fund; and
- (b) the remainder shall be paid to the Commonwealth - (ie dividend).

AASB 118 Revenue (Section 30 (c)) states that dividends shall be recognised when the shareholder's right to receive the payment is established. This would be when the Treasurer determines that a dividend should be paid to the Commonwealth.

As evidence by the letter from the Treasurer to the Governor of the RBA on 28 August 2012, the Commonwealth's right to receive the dividend occurred in 2012-13.

Fact 2

As per section 3 of AASB 110 – Events after the Balance Sheet Date, an “adjusting event” are those which provide evidence of conditions that existed at the reporting date.

Reporting date, in the case of Australian Government entities, is 30 June of each year.

The RBA had not physically calculated their 2011-12 earnings and hence would not have known/finalised the recommended dividend/transfer to the Reserve Bank Reserve Fund until after the reporting date (30 June 2012). Therefore, the event has not occurred until the 2012-13 financial year. That is, there is no evidence (and it could not have been possible) that the 2011-12 earnings and dividend (ie “condition”) was calculated by 30 June 2012. This is evidenced by the fact that the RBA did not advise the Treasurer of the 2011-12 profit until 13 July 2012.

Fact 3

As per section 12 (which specifically deals with the issue of dividends) of AASB 110 – Events after the Balance Sheet Date;

12. If an entity declares dividends to holders of equity instruments (as defined in AASB 132 *Financial Instruments: Disclosure and Presentation*) after the reporting

date, the entity shall not recognise those dividends as a liability at the reporting date.

13. If dividends are declared (i.e. the dividends are appropriately authorised and no longer at the discretion of the entity) after the reporting date but before the financial report is authorised for issue, the dividends are not recognised as a liability at the reporting date because they do no obligation exists as that time. Such dividends are disclosed in the notes in the financial report in accordance with AASB 101 *Presentation of Financial Statements*.

The standard is very specific with respect to dividends and leaves no ambiguous interpretations. Given that the RBA dividend is not declared (ie appropriately authorised) until the Treasurer determines so, the dividend (based on the 2011-12 earnings) must not be recognised as a receivable in the books of the Treasury.