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From: @anao.gov.au>
Sent: Thursday, 13 September 2012 12:13 PM
To:
Cc:
Subject: Treasury receivable
Attachments: Notes on RBA Dividend and Implications for Treasury.docx

Thank you for sending over the Treasury thinking on the RBA dividend and the note regarding view . For my part, the attachment describes our thinking for raising a receivable in 2011-12. We give greater weight to the RBA legislation than you do in your paper, and in that regard have considered the implications for Treasury. I would welcome your thoughts on that thinking.

I am tied up most of today at DVA however I am happy to meet to discuss.

Regards

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Section 22

Notes on RBA dividends and implications for Treasury

Statutory scheme for RBA profits

Section 30 of the *Reserve Bank Act 1959* provides that the profit of the RBA for each year, less amounts set aside by the Treasurer for contingences and the RBA Reserve Fund, shall be paid to the Commonwealth.

Finance Minister's Orders

Section 41.3 of the Finance Ministers Orders provides that where an entity is required to pay its profit for the year to the Australian Government, after the deduction of certain amounts, a liability for the dividend must be recognised if those amounts are known before the completion of the financial statements.

Section 41.3 is clearly applicable to the RBA profit for 2011-12. As a result, the RBA must recognise a liability to the Australian Government equal to its profit for the year, less the amounts the Treasurer has decided to be placed in reserve.

Implications for Treasury Administered

The underlying rationale for Section 41.3 of the FMOs is that the RBA, having made whatever profit they have, have no control over whether that profit should or should not be paid to the Commonwealth. The extent to which any dividend should be paid is wholly in the control of the Treasurer. The RBA's obligation arises from the statute and is in effect at 30 June; all that happens after 30 June is that the liability becomes measureable when the amounts to be placed in reserve are known.

It follows from the fact that RBA have an obligation at 30 June that Treasury Administered has a right at the same date. The amount that is to be paid to the Commonwealth as an RBA dividend is wholly within the control of the Treasurer. The Treasurer is able to have the full amount of the profit paid to the Commonwealth, merely by declining to place any amounts in reserve. Therefore, the Treasurer has, at 30 June, the right to receive a dividend from the RBA; all that is uncertain is the amount, which is known when the amounts to be placed in reserve are determined.

AASB 110 Events After the Reporting Date

AASB 110 provides for recognition in the balance sheet where an event after balance date provides evidence of conditions that existed at balance date. It cites (at paragraph 9(d)) the determination of profit sharing or bonus payments after balance date as an example of such an event. This is clearly analogous to the RBA situation.