

# MODEL FINANCIAL STATEMENTS

Accounting Branch  
ACT Dept of Treasury

April 2010



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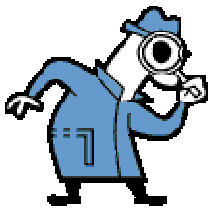
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# 2009-10 MODEL FINANCIAL STATEMENTS



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# Overview



Changes to the Model resulting from:

- Australian Accounting Standards
- Better Practice Changes
- Model Financial Statement Supplement
- Territory Authority Section (Combining the Models)

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## Model Financial Statements



Changes to the Model resulting from:

Australian Accounting Standards

1. Operating Statement
2. Balance Sheet / Retrospective Restatements
3. Statement of Changes in Equity and the Equity Note
4. Financial Instrument Disclosure
5. Borrowing Costs

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## Model Financial Statements

ACT Accounting Policy

6. No Changes in Accounting Policy

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## Model Financial Statements

Better Practice Changes (Major)

7. Disclosure of Accounting Standards Issued but Not Yet Applicable
8. Assets Held for Sale / SG Fleet
9. Commonwealth Government Grants

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## Model Financial Statements

### Better Practice Changes (Minor)

10. Waiver Disclosure
11. Act of Grace Payment Disclosure
12. Employee Benefits – New Present Value Factor
13. Financial Instruments - Global Financial Crisis
14. Various Wording Changes

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## Model Financial Statements

### Additional Model Documents

15. Model Financial Statement Supplement
16. Territory Authority Section (TAS)

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## Accounting Standard Changes

### 1. Operating Statement

- AASB 101 has been amended and requires either:
  - > a Statement of Comprehensive Income; or
  - > a Statement of Comprehensive Income and an Income Statement
- AASB 101 allows not-for-profits to change the names of their financial statements
- ACT Accounting Policy requires disclosure of a single Statement of Comprehensive Income called an Operating Statement

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## Accounting Standard Changes

### 1. Operating Statement

- Requirement applies to Departments and not-for-profit Authorities
  - As such For-Profit Authorities will have to call this Statement a Statement of Comprehensive Income

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## Accounting Standard Changes

### 1. Operating Statement

- The Operating Statement is now required to include 'Other Comprehensive Income'
- 'Other Comprehensive Income' is defined in AASB 101 as:
  - items of income and expense (including reclassification adjustments) that are not recognised in the profit and loss as required or permitted by other Australian Accounting Standards

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## Accounting Standard Changes

### 1. Operating Statement

- 'Other Comprehensive Income' includes things like:
  - Increase / (Decrease) in Asset Revaluation Surplus
  - Increase / (Decrease) in Asset Revaluation Surplus Attributable to Joint Ventures
  - Other Items of Comprehensive Income
- 'Total Comprehensive Income' must also be disclosed
- Output Class Operating Statements do not have to include 'Other Comprehensive Income' as the Accounting Branch is currently in the process of changing the Financial Management Guidelines

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## Accounting Standard Changes

### 1. Operating Statement

- Agencies do not have to disclose immaterial items of 'Other Comprehensive Income'
- These new Other Comprehensive Income disclosures apply to the Departmental, Territorial and Territory Authority Operating Statements where applicable

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## Accounting Standard Changes

### 1. Operating Statement

[See Handout 1](#)

Operating Surplus/(Deficit)	(17,590)	(13,076)	2,227
<b>Other Comprehensive Income</b>			
Increase/(decrease) in Asset revaluation Surpluses	27,396	18,847	182,058
Increase/(decrease) in Asset revaluation Surpluses Attributable to Joint Ventures	(2,500)	-	(2,000)
<b>Total Other Comprehensive Income</b>	<b>24,896</b>	<b>18,847</b>	<b>180,058</b>
<b>Total Comprehensive Income</b>	<b>13,306</b>	<b>5,771</b>	<b>186,285</b>

The above Operating Statement should be read in conjunction with the accompanying notes.

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## Accounting Standard Changes



### 2. Balance Sheet

- AASB 101 has been amended and requires a Statement of Financial Position be included in the Financial Statements
- AASB 101 allows not-for-profits to change the names of their financial statements
- ACT Accounting Policy requires the Statement of Financial Position be called the Balance Sheet
- Requirement applies to Departments and not-for-profit Authorities

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## Accounting Standard Changes

### 2. Balance Sheet

- AASB 101 now requires the Balance Sheet and related notes to include a second comparative period where a retrospective restatement has occurred
- These new retrospective restatement disclosures are contained in a separate document
  - > This was to try and avoid confusion with a second comparative period column
  - > The separate document is titled the Model Supplement
- This document will be discussed in greater detail after the break

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## Accounting Standard Changes

### 2. Balance Sheet

- The Balance Sheet must disclose two comparative periods only where there is a retrospective restatement
- Retrospective Restatements include:
  - > Changes in Accounting Policy
  - > Correction of a Prior Period Error
  - > reclassifications of items in the Financial Statements
- The second comparative period is only required where the retrospective restatement effects the years prior to the first comparative period.

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## Accounting Standard Changes

### 2. Balance Sheet

[See Handout 2](#)

	2018	2017	2016	2015	2014
Current Assets	1,234,567	1,123,456	1,012,345	901,234	890,123
Non-current Assets	2,345,678	2,234,567	2,123,456	2,012,345	1,901,234
Current Liabilities	345,678	334,567	323,456	312,345	301,234
Non-current Liabilities	456,789	445,678	434,567	423,456	412,345
Equity	1,789,012	1,678,901	1,567,890	1,456,789	1,345,678
<b>Total</b>	<b>3,570,234</b>	<b>3,478,123</b>	<b>3,367,012</b>	<b>3,256,901</b>	<b>3,145,790</b>

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## Accounting Standards Changes



### 3. Stmt of Changes in Equity and the Equity Note

- AASB 101 allowed a reconciliation between opening and closing balance of each component of equity to be included in either the statement of changes in equity or in the notes
  - > ACT Accounting Policy required this reconciliation be included in the Equity Note
- AASB 101 now requires this reconciliation to be included in the Statement of Changes in Equity
- As a result the layout of the Statement of Changes in Equity has changed
  - > The statement now appears on two pages. The first page includes the current year information and the second page include the comparative year information

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## Accounting Standard Changes

### 3. Stmt of Changes in Equity and the Equity Note

- The reconciliations have now been removed from the equity note with the exception of the Asset Revaluation Surplus reconciliation
- This is because this reconciliation provides more detail than is included in the Statement of Changes in Equity
  - > In particular it shows the increase and decrease in each class of Asset Revaluation Surplus

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## Accounting Standard Changes

### 3. Stmt of Changes in Equity and the Equity Note

- In addition AASB 101 now requires items of 'Other Comprehensive Income' to be disclosed in the Statement
- In particular the following items must be included (where applicable)
  - > Operating Surplus / (Deficit)
  - > Increase / (Decrease) in Asset Revaluation Surplus
  - > Other Comprehensive Income
  - > Total Comprehensive Income
- All relevant figures must be included for each class of equity shown in the Statement
- This affects both Departmental, Territorial and Territory Authorities Financial Statements

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## Accounting Standard Change

### 3. Stmt of Changes in Equity and the Equity Note

See Handout 3

STATE STREET BANK		2016	2015
<b>STATEMENT OF CHANGES IN EQUITY</b>			
Balance at beginning of period		\$1,000,000	\$1,000,000
Net income		100,000	100,000
Dividends		(50,000)	(50,000)
Retained earnings at end of period		\$1,050,000	\$1,050,000
<b>STATEMENT OF CHANGES IN EQUITY - CONTINUED</b>			
The following table provides a reconciliation of the beginning and ending balances of equity components:			
Balance at beginning of period		\$1,000,000	\$1,000,000
Net income		100,000	100,000
Dividends		(50,000)	(50,000)
Retained earnings at end of period		\$1,050,000	\$1,050,000
<b>STATEMENT OF CHANGES IN EQUITY - CONTINUED</b>			
The following table provides a reconciliation of the beginning and ending balances of equity components:			
Balance at beginning of period		\$1,000,000	\$1,000,000
Net income		100,000	100,000
Dividends		(50,000)	(50,000)
Retained earnings at end of period		\$1,050,000	\$1,050,000

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## Accounting Standard Changes



### 4. Financial Instruments

- AASB 7 now requires an agency to classify financial assets and liabilities into a fair value hierarchy.
- The fair value hierarchy simply identifies how fair value has been determined
- Comparative figures for this new disclosure are not required to be included in the financial statements

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## Accounting Standard Changes

### 4. Financial Instruments

- The fair value hierarchy is made up of the following three levels:
  - Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
  - Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
  - Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).
- Any transfers of financial assets or liabilities between Level 1 and Level 2 must be disclosed

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## Accounting Standard Changes

### 4. Financial Instruments

- The only financial asset or liability that most Department and Authorities will carry at fair value is Investment with the Territory Banking Account – Fixed Interest Portfolio
- The Fixed Interest Portfolio is classified in the Level 2 category
- This is because the units in the Fixed Interest Portfolio are not quoted on a market but are derived from a pool of other investments which have a market price

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## Accounting Standard Changes

### 4. Financial Instruments

See Handout 4

**Fair Value Hierarchy**  
The Agency is required to classify financial assets and financial liabilities into a fair value hierarchy that reflects the significance of the inputs used in measuring their fair value. The fair value hierarchy is made up of the following three levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amount of financial assets measured at fair value, as well as the methods used to estimate the fair value are summarised in the table below. All other financial assets and liabilities are measured, subsequent to initial recognition, at amortised cost and so such are not included in the table below.

	Classification According to Fair Value Hierarchy			Total
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Financial Assets				
Financial Assets at Fair Value through the Profit and Loss				
Investment with the Territory Banking Account – Fixed Interest Portfolio	-	1,711	-	1,711
				1,711

In accordance with the transitional provision of AASB 7 the agency has not provided comparative figures.

**Transfer Between Categories**  
There have been no transfers of financial assets or financial liabilities between Level 1 and Level 2 during the reporting period.

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## Accounting Standard Changes



### 5. Borrowing Costs

- AASB 123 now requires that all borrowing costs relating to a qualifying asset be capitalised rather than expensed
- However an AUS para has been included stating that not-for-profit agencies may elect to expense these borrowing costs
- ACT Accounting Policy requires not-for-profit agencies to expense borrowing costs
- Note that For-Profit Territory Authorities will now have to capitalise borrowing relating to qualifying assets

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## ACT Accounting Policy



### 6. Change in Accounting Policy

- There are no changes in accounting policy issued by the Accounting Branch in 2009-10
- As such there are no example disclosures of a change in accounting policy in the '2009-10 Model Financial Statement Supplement'
- However where an agency has changed an accounting policy of its own accord the appropriate disclosure requirements must be met

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## Better Practice Changes (Major)



### 7. Disclosure of Accounting Standards Issued but Not Yet Applicable

- Agencies are required to estimate the financial effect on future reporting periods of Accounting Standards Issued but Not Yet Applicable
- Last year the Accounting Branch determined that there would not be a financial effect on most agencies of Accounting Standards Issued but Not Yet Applicable
  - > As such a complete list of these standards was disclosed in the 2008-09 Model
- This disclosure was presented as a list rather than a table

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## Better Practice Changes (Major)

### 7. Disclosure of Accounting Standards Issued but Not Yet Applicable

- This year the Accounting Branch has also determined there will not be a financial effect on most Agencies of Accounting Standards Issued but Not Yet Applicable
- However this year the Model does not contain a complete list of standards issued but not yet applicable
- Instead the Model contains a list of standards issued but not yet applicable which will apply to most agencies

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## Better Practice Changes (Major)

### 7. Disclosure of Accounting Standards Issued but Not Yet Applicable

- An example of some standards that are not applicable to most agencies are:
  - > AASB 2 *Share Based Payments*
  - > AASB 133 *Earnings per Share*
  - > AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*
- The commentary to Note 2 outlines the additional standards issued but not yet applicable (as of April 2010)

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## Better Practice Changes (Major)

### 7. Disclosure of Accounting Standards Issued but Not Yet Applicable

- This Note disclosure has been moved from Note 3 to the end of Note 2 to be consistent with other Jurisdictions
- It is now Note 2(a) *Impact of Accounting Standards Issued but yet to be Applied*

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## Better Practice Changes (Major)

### 7. Disclosure of Accounting Standards Issued but Not Yet Applicable

See Handout 5

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7. Impact of Accounting Standards Issued but Not Yet Applied

The following table lists the accounting standards issued by the Australian Accounting Standards Board (AASB) that are not yet applicable to the reporting entity as at the reporting date. The standards listed in this table are those that have been issued by the AASB and are not yet applicable to the reporting entity as at the reporting date. The standards listed in this table are those that have been issued by the AASB and are not yet applicable to the reporting entity as at the reporting date.

- AASB 1 (Presentation of Financial Statements) (effective from 1 Jan 2011)
- AASB 2 (Share-based Payments) (effective from 1 Jan 2011)
- AASB 3 (Business Combinations) (effective from 1 Jan 2011)
- AASB 4 (Interim Financial Reporting) (effective from 1 Jan 2011)
- AASB 5 (Cash Flow Statements) (effective from 1 Jan 2011)
- AASB 6 (Earnings per Share) (effective from 1 Jan 2011)
- AASB 7 (Financial Instruments: Recognition and Measurement) (effective from 1 Jan 2011)
- AASB 8 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 9 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 10 (Investments in Entities over which the Reporting Entity has Significant Influence) (effective from 1 Jan 2011)
- AASB 11 (Joint Arrangements) (effective from 1 Jan 2011)
- AASB 12 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 13 (Earnings per Share) (effective from 1 Jan 2011)
- AASB 14 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 15 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 16 (Hedges of a Net Investment in a Foreign Operation) (effective from 1 Jan 2011)
- AASB 17 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 18 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 19 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 20 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 21 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 22 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 23 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 24 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 25 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 26 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 27 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 28 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 29 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 30 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 31 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 32 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 33 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 34 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 35 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 36 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 37 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 38 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 39 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 40 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 41 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 42 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 43 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 44 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 45 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 46 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 47 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 48 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 49 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 50 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 51 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 52 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
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- AASB 62 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 63 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 64 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 65 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 66 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 67 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 68 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 69 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 70 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 71 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 72 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 73 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 74 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 75 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 76 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 77 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 78 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 79 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 80 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 81 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 82 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 83 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 84 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 85 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 86 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 87 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 88 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 89 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 90 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 91 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 92 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 93 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 94 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 95 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 96 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 97 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 98 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)
- AASB 99 (Financial Instruments: Measurement) (effective from 1 Jan 2011)
- AASB 100 (Financial Instruments: Disclosures) (effective from 1 Jan 2011)

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## Better Practice Changes (Major)



### 8. Assets Held For Sale / SG Fleet

- Since 1 July 2006 motor vehicle leases have been recognised as a finance lease
- As most leases are held for 2 to 3 years agencies will have been disposing of these leased vehicles
- Finance Leases with SG Fleet should be classified as an asset held for sale when:
  - > Vehicle has been returned to SG Fleet
  - > All lease payments have been made
  - > Residual value has been paid to SG Fleet
  - > As at the end of the financial year the vehicles had not been sold

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## Better Practice Changes (Major)

### 8. Assets Held For Sale / SG Fleet

See Handout 6

#### NOTE 25. ASSETS HELD FOR SALE

The Agency has classified plant and equipment, and investment properties as "assets held for sale". The Agency has 3 investment properties which it is holding for sale, that are expected to be sold during the middle of the next reporting period. The Agency has 418 motor vehicles which have been returned to SG Fleet and are expected to be sold in July 2010. The residual and all lease payments have been paid, as such these vehicles have been classified as plant and equipment held for sale. Additional equipment held for sale at the end of the reporting period is plant and equipment held for sale. The Agency is also disposing of plant and equipment as a result of a restructuring of its maintenance division.

	2010	2009
	\$'000	\$'000
Plant and Equipment Held for Sale <sup>a</sup>	1,816	750
Investment Property Held for Sale <sup>b</sup>	3,021	-
<b>Total Assets Held for Sale</b>	<b>4,837</b>	<b>750</b>

a) In July 2006 all motor vehicle leases entered from being operating leases to finance leases. With the expiry of some vehicle finance leases being 24 months part of the increase in plant and equipment held for sale can be attributed to higher amounts of motor vehicle finance lease terms coming to end during the 2010 financial year. Additional equipment held for sale at the end of the reporting period is plant and equipment held for sale. The Agency is also disposing of plant and equipment as a result of a restructuring of its maintenance division.

b) There was no investment properties held for sale at the end of the previous reporting period.

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## Better Practice Changes (Major)



### 9. Commonwealth Government Grants

- Under the new Inter Governmental Agreement with the C'wealth Govt all C'wealth Grants will now come directly to ACT Treasury
- C'wealth grants is defined as:
  - > General Revenue Assistance
  - > Specific Purpose Payments
  - > National Partnership Payments
- As such agencies will no longer recognise C'wealth Grant Revenue in their Territorial Financial Statements
- Therefore the Commonwealth Government Grant Note in the Territorial Statements in the Model has been removed

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## Better Practice Changes (Major)

### 9. Commonwealth Government Grants

See Handout 7

**NOTE 50. COMMONWEALTH GRANTS—TERRITORIAL**

Commonwealth Grants received by the Agency are initially recorded in the Territorial accounts. These amounts are then passed back to the Territory/Authority/Authority for the determination of the ability of recipients to fund operations in the appropriate Commonwealth Programs for Disposal—Costs/Items.

	2008	2009
<b>Health Programs</b>	<b>8,908</b>	<b>8,908</b>
Example Health Program	8,908	8,908
<b>Transport Programs</b>		
Example Transport Program	2,431	2,431
Example Safety Program	1,815	1,815
Example Road Program	582	582
<b>Total Commonwealth Grants</b>	<b>13,735</b>	<b>13,735</b>

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## Better Practice Changes (Minor)

### 10. Waiver Disclosure

- The Accounting Branch has included additional commentary in the Waiver, Impairment Losses and Write-offs Note
- Where an agency has made no Waivers, Impairment Losses and Write-offs in a reporting period they must state this in the Note
- This is because these payments are considered material by nature and are of particular interest

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## Better Practice Changes (Minor)

### 11. Act of Grace Payment Disclosure

- Departments are required to disclose Act of Grace Payments under Section 130 of the FMA
- The FMA does not allow Territory Authorities to make Act of Grace Payments and as such they should not include any Act of Grace Disclosures in their Financial Statements
- This is indicated in the Agency Model by a [DEPARTMENT ONLY] heading next to Note 19 *Act of Grace Payments*

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## Better Practice Changes (Minor)

### 11. Act of Grace Payment Disclosure

[See Handout 8](#)

**NOTE 19. ACT OF GRACE PAYMENTS (DEPARTMENTS ONLY)**

Under Section 130 of the Financial Management Act 1996 the Treasurer may, in writing, authorize Act of Grace Payments to be made by an Agency. Act of Grace payments are a method of providing equitable remedies to entities or individuals that may have been unfairly disadvantaged by the Government but have no legal claim to the payment.

In 2009-10 the Treasurer authorized three Act of Grace Payments. Two of these payments related to an oversight made by "Example Agency" regarding land development applications. The third payment related to a delayed heritage grant payment which resulted in the recipient incurring a penalty for late payment to a third party supplier due to not receiving the grant payment on time. The land development application oversight and the delayed grant payment did not legally entitle the applicant(s)/recipient(s) to compensation, however as all were unfairly disadvantaged the Treasurer approved the Act of Grace Payments.

	2010 \$'000	2009 \$'000
Act of Grace Payments		
Payment relating to the oversight regarding land development application	5	-
Payment relating to the oversight regarding land development application	4	-
Payment relating to the delayed heritage grant payment	1	-
<b>Total Act of Grace Payments</b>	<b>10</b>	<b>-</b>

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## Better Practice Changes (Minor)

### 12. Employee Benefits – Present Value Factor

- Short-hand method used instead of an agency having to go through a full present value calculation
- Two factors used in the calculation are
  - > Wage growth rate
  - > Government bond rate
- A changing Government bond rate has resulted in the need to revise the present value discount factor
- The Accounting Branch issues a new Present Value Factor twice each reporting period
  - > 31 December (issued early January)
  - > 30 June (issued early July)

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## Better Practice Changes (Minor)

### 12. Employee Benefits – Present Value Factor

- The 31 December factor is used for the December and March quarterly reporting
- The 30 June factor is used for the end of year financial statements and the September quarterly reporting
- A 90.5% discount factor was used for the 2008-09 reporting period
- The last present value factor released was at 31 December 2009 and was 89.7%

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### Better Practice Changes (Minor)

#### 12. Employee Benefits – Present Value Factor

- As factor released in July for year end reporting, currently Note 2(aa) *Employee Benefits* and Note 33 *Employee Benefits* in the Model include XX%
- Agencies will have to replace the XX% with the appropriate factor once released in July
- The 30 June 2010 discount factor will be released to agencies early July 2010

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### Better Practice Changes (Minor)

#### 13. Financial Instrument – Global Financial Crisis

- Reference was made to the Global Financial Crisis (GFC) in the Financial Instruments Note in the 2008-09 Model
- As GFC has had minimal impact on most agencies this year the 2009-10 Model no longer refers to the GFC

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### Better Practice Changes (Minor)

#### 14. Various Wording Changes

- There have been numerous wording changes from changes to Accounting Standards
- Examples of these wording changes include:
  - > 'Financial Report' has changed to 'Financial Statements'
  - > 'Asset Revaluation Reserve' has changed to 'Asset Revaluation Surplus'
  - > 'AIFRS' has changed to 'Australian Accounting Standards'
  - > 'Equity Holders' has changed to 'Owners'

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## Model Financial Reports



### Summary of Section 1

- Change in Accounting Standards
  - > AASB 101
    - Operating Statement
    - Balance Sheet
    - Statement of Changes in Equity
  - > AASB 7
    - Note 39 Financial Instruments
- Better Practice Changes (Major)
  - > Disclosure of Accounting Standards Issued but Not Yet Applicable
  - > Assets Held For Sale / SG Fleet
  - > Commonwealth Government Grants

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## Section 1

QUESTIONS?



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## Outline of Section 2

### Part 1. Model Financial Statement Supplement

- We recommend that everyone attend
- But if you are confident that your agency will not have a retrospective restatement then you can leave after the break

### Part 2. Territory Authority Section (TAS)

- Only Territory Authorities need to attend the last part of the training

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## Copies of Model Financial Statements

- The Model Financial Statements can be found on the Accounting Website at

[www.treasury.act.gov.au/accounting](http://www.treasury.act.gov.au/accounting)

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## Break



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## Additional Model Documents

### 15. Model Financial Statement Supplement

- AASB 101 now requires a second comparative period be included in the balance sheet and related notes where agencies make retrospective restatements
- As such, there will be four columns appearing on the balance sheet
  - > Actual 2010
  - > Budget 2010
  - > Actual 2009
  - > Actual 2008

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## Additional Model Documents

### 15. Model Financial Statement Supplement

#### Important

- A second comparative period is not required for the Operating Statement and Statement of Changes in Equity where there is a retrospective restatement
  - > will be extra line items on the Stmt of Changes in Equity
- The Balance Sheet must disclose two comparative periods only where there is a retrospective restatement
- These new retrospective restatement disclosures are in a separate document to avoid confusion regarding the disclosure of a second comparative period column

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## Additional Model Documents

### 15. Model Financial Statement Supplement

#### Model Supplement

- The Separate document is called the Model Supplement
- The interrelationship between the Model and the Supplement is:
  - > Follow Model except for the balance sheet (and related notes) and stmt of changes in equity
- Notes included in Supplement may be different from notes included in agencies' financial statements

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## Additional Model Documents

### 15. Model Financial Statement Supplement

- There are three types of retrospective restatements:
  - > A change in accounting policy
  - > A correction of a prior period error (only material errors)
  - > Where an agency decides to make a retrospective restatement because it results in more relevant and reliable information
- A Change in an Accounting Estimate is not a retrospective restatement (ie change in 'Present Value Factor')

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## Additional Model Documents

### 15. Model Financial Statement Supplement

#### Restatement in the 'Model Supplement'

- The retrospective restatement included in the Model Supplement is a correction of a prior period error
- The correction affects the balance sheet and the Statement of changes in Equity along with following Notes:
  - > Note 3 Change in Accounting Policy, and Accounting Estimate and a Correction of a Prior Period Error
  - > Note 14 Depreciation and Amortisation
  - > Note 26 Property, Plant and Equipment
  - > Note 36 Equity

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## Additional Model Documents

### 15. Model Financial Statement Supplement

#### Specific Rules to be aware of

- Each line item in the second comparative column in the balance sheet must include a figure (ie not just the ones that have been restated)
- Not all balance sheet notes need to include a second comparative year column, only those that have been restated
  - > Notes that include a second comparative year column must disclose an amount against each line item in that note

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## Additional Model Documents

### 15. Model Financial Statement Supplement

#### Specific Rules to be aware of - Continued

- Second comparative column is only required where the restatement affects periods prior to the comparative period
  - > Where a second column is not included a brief statement to that effect is required

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## Additional Model Documents

### 15. Model Financial Statement Supplement

See Handout 9

Statement of Financial Statements as a Result of Change in Accounting Policy and Correction of an Error

31 June 2009 Comparative year

Statement of Financial Statements Item	2008 \$'000	2009 \$'000	2009 \$'000	2009 \$'000
<b>Statement of Financial Statements (Extract)</b>				
Revenue	93,649	111	93,760	
Expenses and Contributions				
Net Expenses	88,238	111	88,349	
Operating Results (Extract)				
Income Sheet (Extract)				
Net Assets	5,411	111	5,522	
Net Liabilities	1,072,703	111	1,072,814	
Net Equity	1,067,290	111	1,067,303	
Equity	1,067,290	111	1,067,303	
Liabilities	1,067,290	111	1,067,303	
Statement of Changes in Equity (Extract)				
Opening Balance Sheet	1,067,290	111	1,067,303	

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## Additional Model Documents

### 15. Model Financial Statement Supplement

See Handout 9

#### Note 14. Depreciation and Amortisation

	2008 \$'000	2009 \$'000
Depreciation		
Buildings	2,228	3,052
Infrastructure Assets	43,888	44,111
Plant and Equipment	2,188	2,648
Community and Heritage Assets	5,430	4,120
Leasehold Improvements	752	1,276
<b>Total Depreciation</b>	<b>52,486</b>	<b>55,207</b>
Amortisation		
Intangible Assets	480	289
<b>Total Amortisation</b>	<b>480</b>	<b>289</b>
<b>Total Depreciation and Amortisation</b>	<b>52,966</b>	<b>55,496</b>

Revised by Accounting Estimates  
The useful lives of some community and heritage assets were reassessed resulting in the depreciation expense increasing by \$14,080.

Change in Depreciation Due to a Revision of Carrying Amount  
The useful lives of plant and equipment were revised and subsequently increased and it was considered that some items of plant and equipment could be sold for an amount greater than originally anticipated. As a result, the depreciation on the plant and equipment was also revised and consequently decreased by \$18,000 in the current reporting period.

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## Additional Model Documents

### 15. Model Financial Statement Supplement

See Handout 9

#### Note 26. Property, Plant and Equipment

	2008 \$'000	2009 \$'000	2009 \$'000
<b>Land and Buildings</b>			
Land at Fair Value*	44,874	26,146	19,543
<b>Total Land Assets</b>	<b>44,874</b>	<b>26,146</b>	<b>19,543</b>
Buildings at Fair Value*	93,275	72,759	62,536
Less: Accumulated Depreciation	(7,293)	(5,887)	(5,164)
Less: Accumulated Depreciation Leases	(2,204)	(574)	—
<b>Total Written Down Value of Buildings</b>	<b>83,778</b>	<b>67,118</b>	<b>57,372</b>
<b>Total Land and Written Down Value of Buildings</b>	<b>128,652</b>	<b>93,264</b>	<b>76,915</b>
Leasehold Improvements			
Leasehold Improvements at Fair Value	10,152	9,352	8,887
Less: Accumulated Depreciation	(4,346)	(5,796)	(5,024)
Less: Accumulated Depreciation Leases	—	—	—
<b>Total Written Down Value of Leasehold Improvements</b>	<b>5,806</b>	<b>3,556</b>	<b>3,863</b>

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## Section 2a

### QUESTIONS?



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## Copies of Model Supplement

- The 'Model Supplement' can be found on the Accounting Website at

[www.treasury.act.gov.au/accounting](http://www.treasury.act.gov.au/accounting)

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## Additional Model Documents



### 16. Territory Authority Section (TAS)

- Content in the Department and Territory Authority Models is substantially the same so they have been combined into one Model
- The Combined Model is for an 'Example Agency' which covers both Departments and Territory Authorities
- Disclosures in the Combined Model that are only applicable to Departments are labelled [Departments Only]
- Additional disclosures and commentary relating specifically to Territory Authorities have been included in the TAS

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## Additional Model Documents

### 16. Territory Authority Section (TAS)

- Model includes commentary that alerts Territory Authorities to additional information in the TAS
  - This commentary is contained in the relevant Model note (eg Commentary to the Cash and Cash Equivalents Note in the Model alerts Territory Authorities that there is additional disclosure in the TAS)

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## Additional Model Documents

### 16. Territory Authority Section (TAS)

#### Commentary – Note 21: Cash and Cash Equivalents

For additional information pertaining to Territory Authorities - please refer to TAS 14 Note 21: Cash and Cash Equivalents.

#### Definition of Cash

Cash is defined in AASB 107 Cash Flow Statements as cash on hand and demand deposits. Cash on hand means notes and coins held and demand deposits are deposits held at call with a financial institution.

Cash equivalent assets are short-term, highly liquid investments that are readily convertible to known amounts of cash and are not subject to significant risk of movements in value.

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## Additional Model Documents

### 16. Territory Authority Section (TAS)

- Territory Authorities will need to use both the Model and the TAS (where applicable) when preparing their Financial Statements
- Information is provided on three different coloured backgrounds in the TAS. These are as follows:
  - Authority specific changes to Notes are on a white background
  - Authority specific changes to Commentary are on a green background
  - An explanation of authority specific changes to the Notes and Commentary are included on a grey background

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## Additional Model Documents

### 16. Territory Authority Section (TAS)

- The Statements that appear in the TAS are as Follows:
  - The Operating Statement (COGS line)
  - Balance Sheet (Contributed Equity line)
  - Stmt of Changes in Equity (Contributed Equity Column and no AAO lines)
  - Cash Flow Stmt (GST Line and COGS line)
  - Statement of Appropriation (Only applies to Authorities that receive appropriation)

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## Additional Model Documents

### 16. Territory Authority Section (TAS)

- The Notes that appear in the TAS are as Follows:
  - Note 2 Summary of Significant Accounting Policies
  - Note 4 Govt Payment for Outputs
  - Note 10 Other Gains
  - Note 15 COGS
  - Note 17 Other Expenses
  - Note 18 Waivers, Impairment Losses and Write-offs
  - Note 21 Cash and Cash Equivalents
  - Note 26 Property, Plant and Equipment

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## Additional Model Documents

### 16. Territory Authority Section (TAS)

- The Notes that appear in the TAS are as Follows:
  - > Note 32 Interest Bearing Liabilities
  - > Note 34 Other Provisions
  - > Note 42 Interest in a Jointly Controlled Entity
- There is a Reference Table that assists in identifying how the TAS interrelates with the Model

[Reference Table Handout 10](#)

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## Additional Model Documents

### 16. Territory Authority Section (TAS)

- There is different coloured text in the TAS
  - > **Red** text is used where information is specific to an Authority so does not appear in the Model
  - > **Red strikethrough** text is information that appears in the Model that only applies to Departments

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## Additional Model Documents

### 16. Territory Authority Section (TAS)

Example of how the TAS interacts with the Model

- Note 2(b) Departmental and Territorial Items
  - > Departments are required to include an explanation of the difference between Departmental and Territorial Items
  - > As such this explanation has been included in the Model
  - > Authorities do not have to include this in their financial statements
  - > As such Note 2(b) has been included in the TAS in **Red Strikethrough** indicating that Authorities should not include it in their Financial Statements

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## Additional Model Documents

### 16. Territory Authority Section (TAS)

[See Handout 11](#)

#### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### (b) Departmental and Territorial Items

The Agency produces Departmental and Territorial financial statements. The Departmental financial statements include income, expenses, assets and liabilities over which the Agency has control. The Territorial financial statements include income, expenses, assets and liabilities that the Agency administers on behalf of the ACT Government, but does not control.

The purpose of the distinction between Departmental and Territorial is to enable an assessment of the Agency's performance against the decisions it has made in relation to the resources it controls, while maintaining accountability for all resources under its responsibility.

The basis of accounting described in paragraph (a) above applies to both Departmental and Territorial financial statements except where specified otherwise.

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## Additional Model Documents

### 16. Territory Authority Section (TAS)

[See Handout 11](#)

#### Commentary – Note 2: Summary of Significant Accounting Policies

*For additional information pertaining to Territory Authorities - please refer to TAS 8 Note 2: Summary of Significant Accounting Policies.*

##### Accounting Policy Disclosures

The FMA requires the annual financial statements to include a statement of the accounting policies adopted by the Agency and such other statements as are necessary to fairly reflect the financial operations of the Agency during the year and its financial position at the end of the year.

AASB 101 *Presentation of Financial Statements* requires that a summary of significant accounting policies be presented in the notes to the financial statements. The summary of significant accounting policies must include the measurement basis used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.

The notes must also include a statement that the financial statements are general-purpose financial statements and a statement as to whether the financial statements have been prepared in accordance with Australian Accounting Standards.

In addition to the above mandatory disclosure requirements, the commentary in the standards indicate that it may also be appropriate to indicate the relevant statutory and other requirements adopted in the preparation of the financial statements, such as compliance with the FMA.

Where there is no accounting standard or accounting interpretation, the disclosures should focus on explaining why the policy applied ensures that relevant and reliable information is presented in the financial statements.

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## Additional Model Documents

### 16. Territory Authority Section (TAS)

[See Handout 11](#)

##### (b) Departmental and Territorial Items

The Agency produces Departmental and Territorial financial statements. The Departmental financial statements include income, expenses, assets and liabilities over which the Agency has control. The Territorial financial statements include income, expenses, assets and liabilities that the Agency administers on behalf of the ACT Government, but does not control.

The purpose of the distinction between Departmental and Territorial is to enable an assessment of the Agency's performance against the decisions it has made in relation to the resources it controls, while maintaining accountability for all resources under its responsibility.

The basis of accounting described in paragraph (a) above applies to both Departmental and Territorial financial statements, except where specified otherwise.

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## Additional Model Documents

### 16. Territory Authority Section (TAS)

Example of how the TAS interacts with the Model

- Note 34 Other Provisions
  - Some Authorities pay dividends back to Govt where as Departments generally do not
  - As such a Provision for Dividend is not included in the Model
  - Authorities should follow Note 34 in the Model as appropriate
  - Authorities should then look at the TAS to pick up the additional disclosure relating to the Provision for Dividends (where applicable)

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## Additional Model Documents

### 16. Territory Authority Section (TAS)

See Handout 12

#### NOTE 34. OTHER PROVISIONS

	2008	2009
Current Other Provisions	1,908	1,908
Provision for Reimbursement of Contaminated Site	1,462	-
Provision for Reimbursement	1,352	1,352
<b>Total Current Other Provisions</b>	<b>1,294</b>	<b>1,294</b>
Non-Current Other Provisions		
Provision for Reimbursement of Contaminated Site	618	-
Provision for Reimbursement	618	618
<b>Total Non-Current Other Provisions</b>	<b>1,236</b>	<b>618</b>
<b>Total Other Provisions</b>	<b>2,530</b>	<b>1,912</b>

**Provision for Reimbursement**  
 In May 2008, an Agency approved publicly that it would be undertaking a reclamation of a maintenance division that would result in the closure of the division and the provision being made available. A detailed financial plan covering plans to be prepared that outlines the expected cash requirements and the way, details contained and to be included in the amount of estimated cash. Reimbursement is expected to be completed over the next 12 to 18 months period.

**Reconciliation of the Provision for Reimbursement**

	1,462	-
Provision for Reimbursement at the Beginning of the Reporting Period	1,462	-
Additional Provision Reimbursement	1,462	1,462
Reimbursement in Provision as a Result of Payments	(10)	-
Reimbursement in Provision as a Change in Accounting Estimate	(892)	-
<b>Provision for Reimbursement at the End of the Reporting Period</b>	<b>1,352</b>	<b>1,352</b>

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## Additional Model Documents

### 16. Territory Authority Section (TAS)

See Handout 12

**Commentary – Note 34: Other Provisions**  
 For additional information pertaining to Territory Authorities - please refer to TAS II Note 34: Other Provisions.

For each class of provision the following must be disclosed:

- a brief description of the nature of the obligation and the expected timing of any resulting outflow of economic benefits;
- an indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an Agency shall disclose the major assumptions made concerning future events;
- the amount of any related estimated reimbursement, stating the amount of any asset recognised for that expected reimbursement; and

Movements during the reporting period for each class of provision must be disclosed for the current year only (i.e. comparative information is not required) showing separately:

- the carrying amount at the beginning and end of the reporting period;
- additional provisions made in the period (including increases to existing provisions);
- amounts incurred or charged against the provision during the reporting period;
- unused amounts reversed during the reporting period; and
- increases during the period in the discounted amount arising from the passage of time and the effect of any changes in the discount rate.

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