AADP 306 - ACT ACCOUNTING DISCLOSURE PAPER ON REVENUE DISCLOSURES AND WORKPAPERS

Chief Minister, Treasury and Economic
Development Directorate

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1. INTRODUCTION

1.1 APPLICATION

1.1.1 Background

This Guidance paper has been produced and released to assist ACT Government agencies in improving financial statement disclosures and supporting workpapers in light of the introduction of the new revenue standards AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* for the first time in the 2019-20 financial year. This guidance will also assist in addressing ACT Audit Office feedback regarding the improvement of revenue disclosures and workpapers produced as part of the 2019-20 financial statements process.

In order to assist agencies in improving both their 2020-21 financial statement revenue disclosures and working papers, thereby addressing the issues raised by the ACT Audit Office, this paper is divided into two parts:

- Documentation of Revenue Assessment and Working Papers (Refer to Section 2).

  This section of the Paper aims to provide practical guidance around how Finance Teams within agencies obtain information regarding their contracts/agreements with customers. This section then details how this information should be used in determining whether the contracts are enforceable, identifying revenue streams and whether sufficiently specific performance obligations exist. The paper outlines the steps an agency should follow in determining which standard (i.e. AASB 15 or AASB 1058) should be applied to each revenue stream. An agency should then document this assessment in its financial statement workpapers.

  The intention is that this additional guidance will be incorporated into the ACT Accounting Policy Paper titled 'AASB 15 Revenue and AASB 1058 Income for Not-For-Profit (Including Transition') in 2021-22.

- Additional Disclosure Guidance (Refer to Section 3).

  This section of the paper highlights some revenue disclosure requirements contained in AASB 15 and AASB 1058 and provides practical revenue disclosures to assist agencies in improving their 2020-21 financial statement revenue disclosures thereby addressing the issues that were raised by the ACT Audit Office last year. These disclosures are in addition to those already outlined in the 2019-20 Model Financial Statements. The additional Model Financial Statement Disclosures are included in **Attachment A** to this Paper.

  The intention is that these additional disclosures will be included in the 2021-22 update to the Model Financial Statements.

1.1.2 Agencies Covered by this Policy

This guidance paper applies to ACT Government Agencies, that is directorates and territory authorities.

1.1.3 Contact

If you have any questions regarding this Policy, please contact the Financial Reporting and Framework (FRF) Branch to provide further clarification. Contact details are listed on the website: https://apps.treasury.act.gov.au/accounting/.

2. DOCUMENTATION OF REVENUE ASSESSMENT AND WORKING PAPERS

With the introduction of AASB 15 and AASB 1058, it is important that agencies ensure their revenue is being accounted for and disclosed correctly. As such, each agency must undertake an assessment of their arrangements to ascertain whether revenue should be recognised within the scope of AASB 15. If revenue is received outside of the scope of AASB 15 then the requirements in AASB 1058 should be considered. Further details to determine if revenue received is in scope of either accounting standard is included in the ACT Government Accounting policy at Accounting in the ACT Government - Treasury.

The assessment undertaken by the agency must be clearly documented in an agency's workpapers supporting its financial statements. The documentation should include the process the agency went through to identify each material stream of revenue, its assessment of which accounting standard applies to its recognition and measurement, its contracts with customers (where applicable) and how the accounting policies for each material stream were formulated (in accordance with AASB 15/1058).

Where AASB 15 applies, to assist in undertaking this assessment, agencies can go through the below five questions to help them identify the appropriate accounting treatment and disclosures. It is critical that an agency's Finance Team engage with the relevant contract managers and business units across the agency (particularly in large directorates and territory authorities). This is to ensure the information obtained and the assessment undertaken is accurate and thorough. The five questions are as follows:

- **Question 1 – Identifying a Contract** – Is there a contract with a customer or is the revenue a result of a charge under legislation (e.g. payroll taxes)?
- **Question 2 – Enforceable Contract** – Is the contract enforceable either by specific contractual agreement or past precedence?
- **Question 3 – Performance Obligations** – Are there sufficiently specific performance obligations?
- **Question 4** – **Retention of Goods and Services** – Are the goods / services under the contract provided to a customer or are they retained by the agency for its own use?
- **Question 5 – Donation Component** – Is the consideration approximately the same as the fair value of the asset (or is the consideration significantly less than the fair value of the asset principally to enable the agency to further its objectives)?

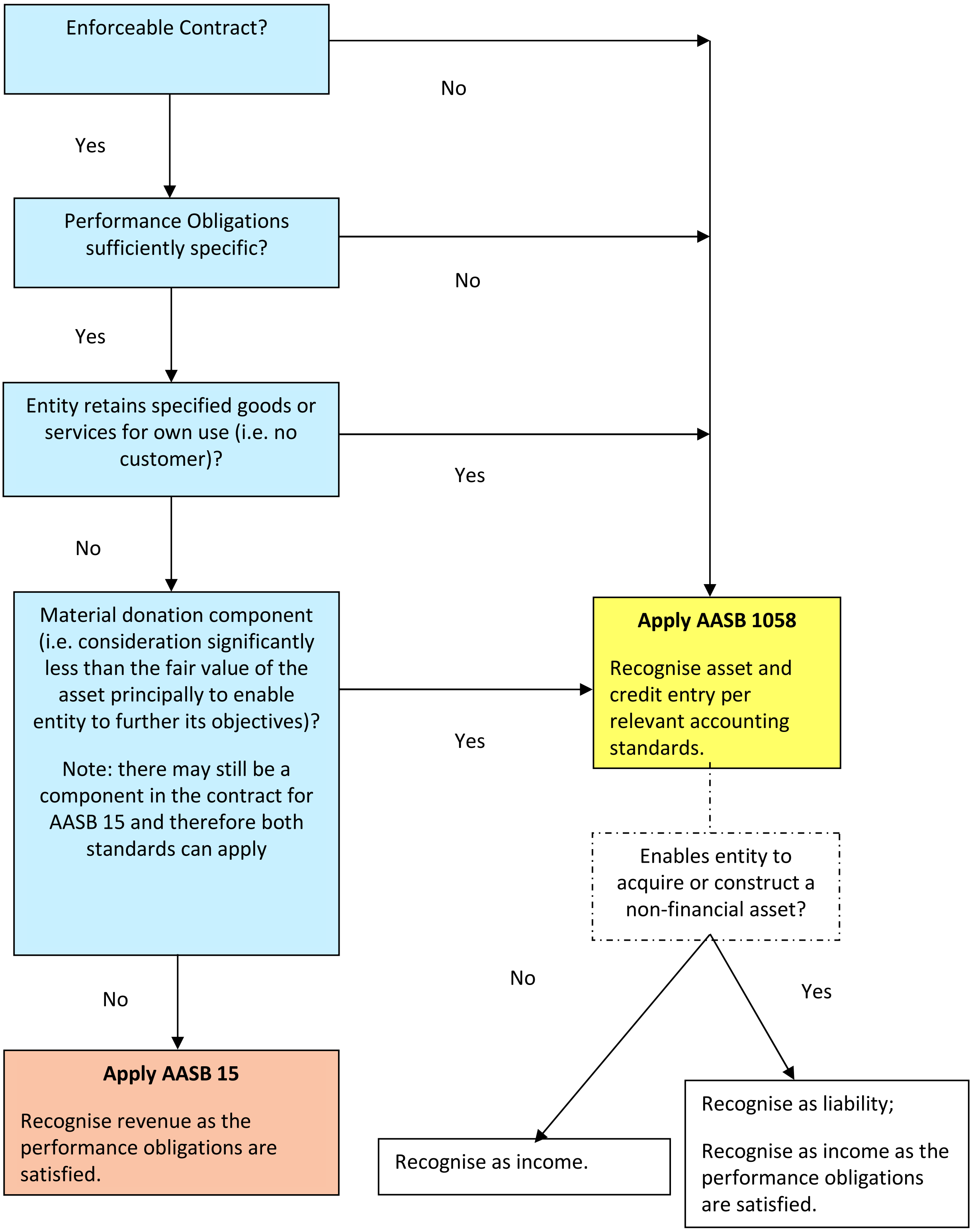
If the answer to all these questions is yes, then the revenue should be accounted for under AASB 15. See Chart 1 below which shows this diagrammatically. Disclosure as part of annual financial statements would then depend on materiality, each individual contract does not need to be disclosed but a group of similar contracts may need to be disclosed due to the importance of the revenue to the agency (AASB 101 para 31). See **Attachment A** Note 5 *Sales of Goods and Services from Contracts with Customers* for example disclosures.

Sections 2.1 to 2.5 outline more questions that the Finance Team can ask contract managers and business units in their agencies so they can get the relevant information they need to appropriately disclose the nature of their revenue in the financial statements. It is important that the contract managers and business units are asked the right questions in relation to the contracts they look after because these staff will generally not have the necessary Accounting Standard knowledge to provide the required information.

Checklists are included at **Attachment B** and **Attachment C** which agencies can use when contacting contract managers and business units to assist in gathering information to assess revenue and make the relevant disclosures. It is important to note that a checklist will need to be completed for each material type of contract/agreements or revenue. For example, if an agency has 25 contracts/agreements with varying terms and conditions that could result in different revenue recognition, agencies will need to assess all 25 contracts (or related groups) and have checklists for all of them. Use of a singular checklist will only be applicable if the different revenue or contracts/agreements have the same terms of recognition, which will need to be demonstrated.

In future years the checklists should be used to ascertain whether there are new contracts/ agreements/legislation, or changes to these from prior years, which may result in different revenue recognition. An assessment of contracts should be done annually, in this respect.

CHART 1: Decision Tree for whether to apply AASB 15 or AASB 1058 to a transaction (other than volunteer services)



2.1 QUESTION 1 – IDENTIFYING A CONTRACT

It is important all relevant contracts are identified so that a thorough assessment can then be undertaken so that agencies are not understating their revenue. Where relevant contracts are not identified then revenue is not recognised appropriately. The identification of all contracts can be difficult, but by engaging with relevant contract managers and business units within your agency, the Finance Team will be able to put together a comprehensive list of contracts/agreements the agency has with its customers.

The Finance Team should write to business units at least annually requesting information about the contracts/agreements with customers they hold. The Finance Team needs to assess whether there is a contract with a customer or is the revenue a result of a charge under legislation. The Finance Team should also look at any new contracts and changes to existing contract terms and conditions each year to assess the impact on existing revenue or whether this results in new revenue.

2.2 QUESTION 2 – ENFORCEABLE CONTRACTS

The term ‘contract’ refers to an agreement with another party that creates enforceable rights and obligations. An agreement may be enforceable ‘through legal or equivalent means’. For an agreement to be enforceable by the other party 'through equivalent means', there must be a mechanism outside the legal system that establishes the right of a separate party to oblige the agency to act in a particular way or be subject to consequences. Not every requirement in an agreement needs to be enforceable by legal or equivalent means for the agreement to be enforceable, as long as some enforceable obligations of the entity arise from the agreement.

The enforceability of agreements does not depend on their form. For example, documents such as Memoranda of Understanding, Heads of Agreement, Letters of Intent or an email confirmation can constitute enforceable contracts regardless of clauses in the agreement stating that they are not legally enforceable. Oral agreements may also be enforceable, and as such there does not necessarily need to be a written documented contract or agreement for there to be an enforceable contract.

A contract could still be enforceable despite a lack of history of enforcement and despite the customer’s intention not to enforce. The customer’s intent not to enforce is at its discretion and does not affect their right to enforce. Enforceability depends on the customer’s capacity to enforce. For example, a number of Commonwealth National Partnership Agreements explicitly state that the parties do not intend for the provisions of the agreement to be legally binding. These agreements may nonetheless be deemed to be enforceable given the parties’ commitment to the terms and conditions of the agreements. For agencies enforceability mechanisms may arise from administrative arrangements or statutory provisions such as a directive from a Minister to an ACT government agency.

The arrangement does not need commercial substance, instead only economic substance is required (for example the arrangement gives rise to substantive rights and obligations for the parties).

Where the contract does not contain explicit enforcement rights, then asking the following questions can assist in the determination of enforcement rights:

- Is there agreement between 2 or more specifically identified parties?
- Is the contract an enforceable agreement?

- Is there the customer right to enforce specific performance obligations or claim for damages for non-performance?
- Does the customer have the right to take a financial interest in an asset purchased or provided under the agreement?
- Do all parties need to agree to alternate uses for the funding provided?
- Is there an administrative process that specifically enforces agreements between the Territory and the respective portfolio agency?
- Does the customer have the legal recourse to enforce performance?
- Does the customer have an alternative recourse?
- Is there legislative or administrative guidance to compel the entity to perform at least one of its promises?
- Is there an acquittal process to demonstrate delivery?
- Does the transferor have refund rights or have the capacity to impose a penalty? That is, is a refund in cash or in kind required when the agreed specific performance has not occurred?
- Does the transferor have the capacity to withhold future funding?
- Will the reputational risk of non-performance of an arrangement automatically create enforceable rights and obligations?

If the answer to these questions is yes, then the contract has created enforceable rights and obligations. Note that not all of the questions need to be positive for the contract to be enforceable. The greater the number of positive responses the more likely the contract has created enforceable rights and obligations, however judgement is required as some questions may be more relevant in certain circumstances. Where significant judgement is used then relevant disclosures need to be made in the Financial Statements.

2.3 QUESTION 3 – PERFORMANCE OBLIGATIONS

Properly identifying performance obligations in a contract is one of the core principles of AASB 15. Performance obligations may be explicitly stated in the contract or be implied by the entity’s customary business practices.

Entities need to identify each distinct performance obligation. A performance obligation is distinct if (AASB 15 para 27):

- the customer can benefit from the good or service either on its own or together with other resources; and
- the promise is separately identifiable.

On the other hand, an entity may need to break down a contract into its individual components, or ‘un-bundling’, to assess performance conditions of a contract separately. Un-bundling is relevant in contracts where entities sell the bundled products separately, as well as part of a discounted bundle. Under AASB 15, revenue recognition is based on performance obligations rather than the contract as a whole.

These are some questions that the Finance Team can ask contract managers and business units to assist in the assessment of sufficiently specific performance obligations and identifying those obligations:

- Is the promise explicitly stated in the contract and does that promise transfer a good or services that provides a benefit to the customer?
- Is the promise implicitly stated in the contract?
- Is it customary business practice for the entity to deliver additional goods and services?
- Is there a published policy of the entity that state that more goods and services will be delivered?
- Was the customer informed of the published policies at inception of the contract and/or are there any other form of statement by the entity at the time of entering into the contract that create a customer expectation that more goods and services will be delivered?
- Does this create a valid expectation of the customer?

Are the obligations sufficiently specific? That is:

- Does the nature of the activities transfer a good or service to the customer?
- Are the cost or value of the goods and services to be provided specified or can they be determined?
- Are the quantity of goods and services to be provided specified or can they be determined?
- Does the agreement state that the entity will provide specified services over a specific period?

The responses to the above questions from the contract managers and business units should provide additional information so that more detailed disclosures can be included in the financial statements.

2.4 QUESTION 4 – RETENTION OF GOODS AND SERVICES

Contracts normally involve a customer providing consideration for goods and services that are then provided to and used by the customer. However, some contracts may involve the customer instructing that goods and services be provided to third party beneficiaries (including individuals or the community at large) on its behalf. Where such arrangements exist they may fall within the scope of AASB 15.

For AASB 15 to apply, it is important that the goods and services are transferred to a customer or third parties on behalf of the customer, but not retained by the agency for its own use. If the goods or services are retained by the agency, AASB 1058 will likely apply. For example, an agency may receive cash (or another financial asset) to construct or acquire a non-financial asset (e.g. building) for its own use. This generally will not fall within the scope of AASB 15 given the asset is for the agency’s own use (i.e. there is no customer).

Typically where there is a grant agreement, this tends to suggest that the agency will retain the goods and services for its own use. However, where there is a service purchase agreement in place this would tend to suggest that the agency will not be receiving the goods and services for its own use. However, it is important to check with the relevant contract manager or business unit as to who is receiving the goods and services regardless of the form of the agreement.

2.5 QUESTION 5 – DONATION COMPONENT

Customers may enter into contracts/agreements with agencies with a dual purpose of obtaining goods and services from the agency as well as assisting the agency to achieve its objectives by providing a donation. In such circumstances, the transaction price needs to be split and:

- The portion that relates to the transfer of the promised goods and/or services be accounted for as a contract with a customer in accordance with AASB 15; and
- The balance of the transaction price (donation component) be accounted for in accordance with AASB 1058, which normally requires such amounts to be recognised as income immediately.

These are some questions that the Finance Team can ask contract manages and business units in order to determine whether a component of the transaction price is not related to the promised goods or services, and therefore may be in the nature of a donation:

- Is the component non-refundable?
- Is the consideration promised as part of a fund-raising event?
- Is the consideration increased specifically for the purpose of making a donation?
- Is there a substantial difference between the consideration and stand-alone selling price of the delivered good/service?

If the donation component is not material at the individual contract level, agencies need not account for it separately.

3. ADDITIONAL DISCLOSURE GUIDANCE

The objective of disclosures is to provide sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows (AASB 15 para 110), or where entities acquire an asset for consideration that is significantly less than fair value (AASB 1058 para 23).

Disclosures should include (AASB 101 para 122):

- The fact that significant assumptions, judgements and estimates were made;
- The nature of the significant assumptions, judgements and estimates; and
- How these were made.

3.1 DISCLOSURE REQUIRMENTS INCLUDED IN AASB 15

The disclosure requirements under AASB 15 *Revenue from Contracts with Customers* are outlined in paragraphs 110 to 129. Agencies should review these paragraphs in AASB 15 to ensure that they are complying with all these disclosure requirements.

Both quantitative and qualitative information should be disclosed about:

- Contracts with customers (AASB 15 para 113 to 122);
- Significant judgements and changes in those judgements (AASB 15 para 123 to 126); and

- Any asset recognised from the costs to obtain or fulfil a contract with customers (AASB 15 para 127 and 128)

Information regarding contracts with customers information should include:

- Revenue recognised from contracts with customers separately from other sources of revenue; and
- Any impairment losses recognised (AASB 9) on any receivables or contract assets arising from contracts with customers.

The revenue from contacts should be disaggregated into categories depicting the nature, amount, timing and uncertainty of revenue and cash flows. Examples of categories that might be appropriate may include (AASB 15 para B89):

- Types of goods and services;
- Markets or types of customers;
- Types of contracts;
- Contract duration;
- Timing of transfer of goods; and
- Sales channels.

When determining which of these categories are most appropriate, agencies should consider the information that is released in the annual report, information reviewed by chief decision makers when they evaluate the financial performance of the Agency and any other information that the agency has made public throughout the year (AASB 15 para B88). Model disclosures have been included at **Attachment A** within Note 5 *Sales of Goods and Services from Contracts with Customers,* to give agencies an example regarding how they could disclosure their categories of revenue from contracts. Note that Note 7 *Investment Revenue* and Note 8 *Other Revenue* generally also contain revenue recognised under AASB 15.

3.2 DISCLOSURE REQUIRMENTS INCLUDED IN AASB 1058

The disclosure requirements under AASB 1058 *Income of Not-for-Profit Entities* are outlined in paragraphs 23 to 41. Agencies should review these paragraphs in AASB 1058 to ensure that they are complying with all these disclosure requirements.

Agencies are required, under this standard, to disclose sufficient information to enable users of financial statements to understand the effects of volunteer services and other transactions where an agency acquires an asset for consideration that is significantly less than fair value principally to enable the agency to further its objectives (AASB 1058 para 23). AASB 1058 also includes income arising from statutory requirements (such as taxes, rates and fines) and agencies are required to disclose categories of income that reflect how the nature and amount of income (and the resultant cash flow) are affected by economic factors. For each class of taxation income that cannot be measured reliability, taxation revenue disclosures should include (AASB 1058 para 30):

- Information about the nature of the tax;
- The reason(s) why the income cannot be reliably measured; and
- When the uncertainty might be resolved.

AASB 1058 para 24 encourages agencies to only highlight the most useful information so that it is

- aggregated where there is a large volume of insignificant detail, and
- disaggregated when substantially different characteristics exist

Income categories shall be disaggregated into categories reflecting significant income streams including:

- Appropriations
    - Controlled Recurrent Payment
- Grants and contributions, including:
    - Resources Received Free of Charge;
    - Volunteer Services;
    - Donations of Cash;
    - Donations of Property, Plant and Equipment; and
    - Capital Grants.

Specific Disclosures for Appropriation

There are a number of specific disclosure requirements relating to appropriation that are required to be included in the financial statements. In the Model these disclosures are included in the Statement of Appropriation. These disclosure requirements include:

- Summary of controlled recurrent payments (CRP), capital injection (CI) and expenses on behalf for the territory (EBT) authorised for expenditure disclosing separately;
    - The original amounts appropriated;
    - The total of any supplementary amounts appropriated;
    - Amounts authorised other than by way of appropriation (e.g. by the Treasurer, other Minister or other legislative authority including financial instruments);
- The expenditures in respect of each of the above items; and
- Reasons for any material variances between the amounts appropriated and the resulting associated expenditures, and any financial consequences of unauthorised expenditure (AASB 1058 para 39).

Specific Disclosures for Grants and Contributions

Qualitative information should be provided by major class of transaction, about the nature of the agency's dependence arising from volunteer services including those not recognised and inventories held but not recognised as assets during the period (AASB 1058 para 27).

Capital grant disclosures should include:

- Opening and closing balances of financial assets received and associated liabilities arising from capital grants;
- Income recognised during the year from reduction of the associated liability;
- Information about obligations under the capital grants, including a description of when the obligations are typically satisfied;

- Explain (qualitatively or quantitatively) when the liability for unsatisfied obligations will be recognised as income;
- Methods used to recognise income and their justification; and
- Judgments and changes in judgements related to the above (AASB 1058 para 31-36).

ATTACHMENT A – 2020-21 MODEL FINANCIAL STATEMENT DISCLOSURES FOR REVENUE

The Financial Reporting and Framework (FRF) Branch has devised some Model Financial Statement disclosures regarding revenue to assist agencies with the production of their 2020-21 Financial Statements. These disclosures have been provided in light of the fact the FRF Branch will not be producing a 2020-21 Model Set of Financial Statements.

The below disclosures have been taken from the 2019-20 Model and additional text has been added in orange text to assist agency's in improving their revenue disclosures in their 2020-21 Financial Statements. Any deleted text is shown in ~~orange strikethrough~~. Please see the table below in relation to which of the statements and revenue notes are included in this paper.

Departmental Statements

Statement	Details
Statement of Appropriation	This Statement is not included in the Paper. - Not included as there is no additional wording required. - Agencies should follow disclosures in the 2019-20 Model Financial Statements.

Departmental Notes

Note No.	Note Name	Details
Note 4	Controlled Recurrent Payments	This Note is included in this Paper. - See additional wording below in orange text.
Note 5	Sales of Goods and Services from Contracts with Customers	This Note is included in this Paper. - See additional wording below in orange text.
Note 6	Grants and Contributions	This Note is included in this Paper. - See additional wording below in orange text.
Note 7	Investment Revenue	This note is not included in this Paper. - Not included as there is no additional wording required. - Agencies should follow disclosures in the 2019-20 Model Financial Statements.
Note 8	Other Revenue	This note is not included in this Paper. - Not included as there is no additional wording required. - Agencies should follow disclosures in the 2019-20 Model Financial Statements

Territorial Statements

Statement	Details
Statement of Appropriation	This Statement is not included in the Paper. - Not included as there is no additional wording required. - Agencies should follow disclosures in the 2019-20 Model Financial Statements.

Territorial Notes

Note No.	Note Name	Details
Note 51	Payment for Expenses on Behalf of the Territory – Territorial	This Note is included in this Paper. - See additional wording below in orange text.
Note 52	Taxes, Licenses, Fees and Fines – Territorial	This Note is included in this Paper. - See additional wording below in orange text.

It is anticipated that these disclosures will be incorporated into the ACT 2021-22 Model Financial Statements.

It is important to note that agencies need to assess the disclosure requirements contained in AASB 15 as these Model revenue disclosures are indicative and agencies need to make their own assessment. Model revenue disclosures should only be included in an agency's financial statements if they are applicable and material. For example, Service Revenue has been included in this Model disclosure, however where an agency does not have this type of revenue then it should not be included in the agency's financial statement disclosures. These Model disclosures are fictitious and have only been used for the purposes of illustrating the financial reporting requirements for ACT Government agencies.

Reference

NOTE 4. CONTROLLED RECURRENT PAYMENTS

Controlled Recurrent Payments (CRP) are revenue received from the ACT Government to fund the costs of delivering outputs.

Community Service Obligations (CSO) are received by the Agency for the provision of waste management services to the public at subsidised rates.

Appropriations are recognised when the Agency gains control over the funding which is normally obtained upon the receipt of cash, given they do not contain enforceable and sufficiently specific performance obligations as defined by AASB 15.

Capital injection appropriations are not recognised as income, but instead are recognised as a cash inflow which is used to purchase/build an asset(s) or to reduce a liability(s).

Reference		2021 $'000	2020 $'000
ACT Disclosure Policy	**Revenue from the ACT Government**		
AASB 1058 26(c)	Controlled Recurrent Payments		
ACT Disclosure Policy	Community Service Obligations		
	Total Controlled Recurrent Payments		

a) The increase in CRP was due to the transfer of the Heritage and Environment function from ABC to 'Example Agency'. Please refer to Note 39 *Restructure of Administrative Arrangements* for further details.

Commentary – Note 4: Controlled Recurrent Payments

For additional information pertaining to territory authorities – please refer to TAS 9 *Note 4: Controlled Recurrent Payments.*

FMA Section 8

The FMA requires an Appropriation Act make separate appropriations in relation to each directorate for:

- any controlled recurrent payments (CRP) to be provided to the directorate;
- any capital injection to be provided to the directorate; and
- any payments to be made by a directorate on behalf of the Territory.

Controlled Recurrent Payments are recognised as revenue when a directorate gains control over the funding. Control over appropriated funds is normally obtained upon the receipt of cash.

ACT Disclosure Policy

Although CSO revenue is not separately identified in the Appropriation Act, CSO revenue is an identifiable sub-category of CRP revenue and is separately disclosed in the CRP note.

Reference

NOTE 5. SALES OF GOODS AND SERVICES FROM CONTRACTS WITH CUSTOMERS

AASB 15.9-90

Revenue is recognised either over time or at a point in time. Any distinct goods or services are separately identified and any discounts or rebates in the contract price are allocated to the separate elements.

‘Example Agency’ earns revenue from providing goods and services to other ACT Government agencies and to the public. ‘Example Agency’ has undertaken a review to determine whether the goods and services it provides need to be classified as revenue from contracts with customers in accordance with AASB 15. This review involved contacting business units across ‘Example Agency’ to obtain information about contracts and other arrangements in order to make an assessment about whether any of these arrangements fall within the scope of AASB 15. ‘Example Agency’ then assessed its revenue from contracts with customers to determine the timing and nature of the satisfaction of performance obligations. As a result, ‘Example Agency’ determined the goods and services to be classified as revenue from contracts with customers which have been included in this note as outlined below:

- *User Charges – Property Management Services –* This major revenue stream relates to property management services and includes the management of government owned commercial buildings, government office accommodation, multi-purpose buildings and leases of commercial buildings on behalf of the Territory. The property management services contracts are generally for 3 years, are with other ACT Government Agencies, and the total charge for these services is based on a percentage of the rent. All these contracts have the same or similar terms and conditions. The contracts outline that the property management service revenue stream is made up of a number of activities comprising maintenance, cleaning, security and landscaping. ‘Example Agency’ concluded that these activities are not distinct within the context of the contract because the performance obligation is to ensure the property is open and operating as intended each month over the term of the contract. The other ACT Government agencies that are obtaining these property management services receive and consume the benefits of each activity when they are provided on a monthly basis, and as such, revenue is recognised on a monthly basis.
- *Sale of Goods* – ‘Example Agency’ sells various ACT merchandising to tourists visiting Canberra and to the ACT community. Revenue is recognised at the transaction price when ‘Example Agency’ transfers control of the goods to customers. This occurs when the merchandising is sold to the customer and the transfer of physical possession to the customer occurs. No volume discount are provided. Merchandising sold comes with the ability to return it within a 7-day period. Therefore, the amount of revenue recognised is adjusted for the expected returns, which are estimated based on historical data. However, given historical data shows that there is an immaterial amount of refunds for returned goods, the full selling price is recognised as revenue.
- *Services Revenue* – ‘Example Agency’ has two main Service Revenue streams which are:
  - *Facilities Management Services Revenue* – ‘Example Agency’ provides facilities management services to private sector clients. From a review of the contracts, facilities management services involve building and equipment maintenance. Control of the performance obligation is transferred at a point in time when the work is complete.
  - *Event Revenue* – ‘Example Agency’ earns revenue from the promotion and management of major sporting events at venues including ‘Example Stadium’ and ‘Example Oval’. A major event is considered to be a match or feature that is a national or international fixture. Major sporting events promoted and managed by ‘Example Agency’ include rugby, cricket and soccer matches. All contracts for these three sporting events have similar terms and conditions and involve ‘Example Agency’ providing ticketing services, negotiating advertising signage at the ground, advertising the event through various types of media, and providing game day logistics, catering and cleaning. Each contract generally contains four performance obligations, each of which are satisfied at a point in time upon completion. The first performance obligation is upon signing the contract to run a major event and at this point 10% of the contract revenue is payable to ‘Example Agency’ so this revenue is recognised at this point. The second performance obligation is upon the completion of signage negotiations which is required to be completed two weeks before the event. At this point a further 20% of contract revenue is recognised. The third performance obligation relates to ticketing and advertising and is required to commence one month from the event and finish the day before the event. At this point a further 30% of contract revenue is recognised evenly over this one-month period. The fourth performance obligation relates to the game day logistics, catering and cleaning. The final 40% of the contract revenue is recognised on the day of the event.

	2021 $’000	2020 $’000
ACT Government Customers		
User Charges – Property Management Services[a]		
Total Sales of goods and Services from ACT Government Customers		
Non–ACT Government Customers		
Sale of Goods ~~[b]~~		
Service Revenue ~~[c]~~ [b]		
- Facilities Management Services Revenue		
- Event Revenue		
Other		
Sales of Goods and Services from Non–ACT Government Customers		
Total Sales of Goods and Services from Contacts with Customers		

~~User charges revenue is derived by providing goods and services to other ACT Government agencies and to the public. User charges revenue is legally retained by the agency and driven by consumer demand.~~

a) ~~User Charges – ACT Government primarily relates to the performance obligation of property management where control is transferred on a systematic basis as the services as being provided and therefore the revenue is recognised over time.~~ The increase in User Charges – ACT Government largely reflects the rise in rental prices in the ACT and the property management fees are charged as a percentage of the rent.

~~b) The performance obligation in the sale of goods is the supply of the goods to the customer and revenue is recognised on transfer of physical possession to the customer.~~

~~c~~b) ~~Service Revenue (Non-ACT Government) relates to facilities management for private sector clients.~~ The increase in Service Revenue (Non-ACT Government) is largely due to an increase in the amount being charged for providing this service to the private sector. The majority of work is billed on an at-cost basis. This is a total charge determined by the recovery rates of the labour, materials and tools used to accomplish the work. Control of the performance obligation is transferred at a point in time when the work is complete.

Reference	Commentary – Note 5: Sales of Goods and Services from Contracts with Customers
	Revenue recorded in this note is within the scope of AASB 15 *Revenue from Contracts with Customers*, i.e. exists within an enforceable contract with sufficiently specific performance obligations.
AASB 15.114,B87-89 ACT Disclosure Policy	The breakdown shown in this note disclosure is an example only. Agencies must disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.
	The disaggregation shown here is by type of revenue and by customer. Agencies should consider whether pattern of revenue recognition (e.g. point in time or over time is an appropriate disaggregation).
	Agencies should also include a breakdown of all material line items included within this note to enable the revenue streams within AASB 15 to be appropriately disaggregated.
	ACT Government agencies are agencies that form part of the ACT Government or which the ACT Government controls. A list of these agencies is contained in the Australian Capital Territory Government Consolidated Annual Financial Statements, which can be found at the Treasury website under publications (http://apps.treasury.act.gov.au/publications).
AASB 15.9-90	**Revenue Recognition**
	To determine whether to recognise revenue under AASB 15, agencies must follow a five-step process: • identifying the contract with a customer; • identifying the performance obligations; • determining the transaction price; • allocating the transaction price to the performance obligations; and • recognising revenue when/as performance obligations are satisfied.
AASB 15.31-32	Revenue is recognised when (or as) an agency satisfies performance obligations by transferring a promised good or service to a customer. For each performance obligation, the agency determines at contract inception whether it satisfies the performance obligation over time or at a point in time.
AASB 15.124(a)&(b) AASB 15.125	For performance obligations that that the agency satisfies over time it shall disclose the methods used to recognise revenue (e.g.) a description of the output methods or input methods used and how they are applied and an explanation of why the methods used provide a faithful depiction of the transfer of goods or services. For performance obligations that are satisfied at a point in time, agencies shall disclose the significant judgements made in evaluating when a customer obtains control of the goods or services.

Reference

NOTE 6. GRANTS AND CONTRIBUTION

Resources Received Free of Charge

Contributions of services are recognised only if their fair value can be measured reliably, and the services would have been purchased if they had not been donated.

Legal Services were received free of charge from the ACT Government Solicitor's Office (GSO) due to legal action resulting from 'Example Agency' burying waste material in landfill which then leaked and contaminated the area and nearby farmland. The GSO provided 'Example Agency' with the fair value of the services provided and given 'Example Agency' had to defend this action in court would have had to pay for these services had they not been provided free of charge.

'Example Agency' is required by the ACT Government to use Shared Services for its financial and HR processing. Given Shared Services is directly appropriated by the ACT Government to provide certain services at a fixed cost to 'Example Agency', it means that 'Example Agency' does not have to pay for these services. The fixed costs for financial and HR services are known and 'Example Agency' would have had to purchase these services if they were not provided by Shared Services. As such, these amounts have been recognised as resources provided free of charge.

Each financial year 'Example Agency' runs 'Example Multicultural Festival'. As part of the festival approximately 130 staff from within the ACT Government volunteered to help out and undertake tasks such as Area Wardens, Reception Assistances, Festival Information Tent Officers, VIP Welcome Assistants and Logistics Radio Officers. The amount these staff are usually paid is known and the number of hours each worked are included on a staff roster so the value of the volunteer services is known. In addition, approximately 40 volunteers external to the ACT Government also assisted in the running of the festival. The value of these volunteers' time can be reliably measured by 'Example Agency' as a number of quotes were obtained from the private sector to provide certain services for the festival, however these services were ultimately undertaken by volunteers. If ACT Government staff and external volunteers did not assist at the festival then 'Example Agency' would have had to purchase these services from a relevant provider.

Other Grants and Contributions

'Example Agency' has determined that the agreements/arrangements relating to 'Other Grants and Contributions' line items included in this note are not enforceable and they do not contain sufficiently specific performance obligations for recognising revenue from contracts with customers under AASB 15.

ACT Disclosure Policy

This is because none of the arrangements require 'Example Agency' to provide an equal amount in return for the consideration received. As such, AASB 1058 has been applied for recognising this revenue. This revenue is recognised upon receipt of the donation, the grant funding or restructure fund receipts, with the exception of the 'Grants to Acquire or Construct Assets to be Controlled by the Agency' line item. This line item is recognised progressively as revenue as 'Example Agency' satisfies its obligations under the grant through construction of the asset.

Reference		2021	2020
	Resources Received Free of Charge from ACT Government Entities	**$'000**	**$'000**
	Legal Services[a]		
	Shared Services Finance - Fixed Costs		
	Shared Services Human Resources - Fixed Costs		
	Volunteer Services – ACT Government employees		
AASB 1058.22	**Total Resources Received Free of Charge**		
	Other Grants and Contributions		
	Grants without Sufficient Performance Obligations		
	Grants to Acquire or Construct Assets to be Controlled by the Agency		
	Donations		
	Donations of Property, Plant and Equipment		
	Restructure Fund Receipts		
	Volunteer Services – External Volunteers		
	Total Other Grants and Contributions		
AASB 1058.22	**Total Grants and Contributions**		

a) ~~The Agency disposed of waste material by burying it in landfill, however, it was discovered that the waste had leaked and contaminated the area and nearby farmland.~~ The increase in legal services was due to the litigation arising from contamination caused by ‘Example Agency’. ~~related claims. These legal services were provided free of charge by the ACT Government Solicitor’s Office.~~

Commentary – Note 6: Grants and Contributions

AASB 1058.18&22

ACT Disclosure Policy

AASB 1058 *Income of Not-for-Profit Entities* requires contribution of services (resources received free of charge) to be recognised at their fair value if:

- the fair value can be reliably measured, and
- the services would have been purchased if not received free of charge.

Resources received free of charge comprise resources received from other ACT Government agencies. It does not include resources received from external parties.

ACT Disclosure Policy

ACT Government agencies are agencies that form part of the ACT Government or which the ACT Government controls. A list of these agencies is contained in the Australian Capital Territory Government Consolidated Annual Financial Statements, which can be found at the Treasury website under publications (http://apps.treasury.act.gov.au/publications).

AASB 1058.27

Where revenue is recognised through a contract which is not enforceable or does not contain sufficiently specific performance obligations then it is within the scope of AASB 1058 and should be included within this note.

Disclosure should be included regarding the extent of volunteer services used regardless of whether the value of the services has been recognised.

Where Agencies receive capital grants that meet the following:

- the contract is enforceable;
- the financial assets is to be used to acquire or construct a non-financial asset which will be recognised on the agency’s books; and
- the asset is not required to be transferred to any other party

then this transaction is separately identified as the revenue is recognised as the asset is constructed or acquired rather than on receipt of the funds.

Restructure Fund Receipts should be classified as Contributions and should be shown gross rather than netted off against the related termination expense.

Reference

NOTE 51. PAYMENT FOR EXPENSES ON BEHALF OF THE TERRITORY – TERRITORIAL

Under the *Financial Management Act 1996*, the Agency receives this appropriation to fund a number of expenses incurred on behalf of the Territory, the main one being the payment of grants to various non-government organisations (See Note 53 *Grants and Purchased Services - Territorial*).

Payment for Expenses on behalf of the Territory are recognised as revenue upon the receipt of cash. Appropriations are recognised on this basis given they do not contain enforceable and sufficiently specific performance obligations as defined by AASB 15.

	2021 $'000	2020 $'000
Payment for Expenses on Behalf of the Territory		
Total Payment for Expenses on Behalf of the Territory		

NOTE 52. TAXES, LICENCES, FEES AND FINES – TERRITORIAL

‘Example Agency’ collects taxes, licences, fees and fines on behalf of the Territory.

Revenue from motor vehicle registration duty arises when a member of the public registers a new vehicle for the first time, transfers a vehicle’s registration to another person or registers an imported second-hand vehicle for the first time. The amount of duty payable depends on the type of vehicle and its dutiable value being the higher of the purchase price and the market value of the vehicle. Revenue is recognised at the time of payment.

Drivers’ licence revenue relates to members of the public paying for a licence to operate or seek to operate a vehicle within the ACT. Licences can generally be obtained for either a 5 or 10 year period. Given each licence is less than the ACT low-transaction licence threshold of $10,000, the drivers licence revenue is recognised upon issue of the licence rather than evenly over the term of the licence.

Fees for regulatory services relate to ‘Example Agency’ collecting of all fees and charges under the Work Safety Act. Fees are generally either recognised as revenue at the time of receipt or when the fee is incurred.

Traffic fines and parking fines are issued upon an infringement event occurring and are recognised as revenue on the issue of the relevant infringement notice. However, the revenue recognised is adjusted for the expected disputes, which are estimated based on historical data. Historical data shows that there is approximately [5%] of fees that are successfully disputed. Where the fine attracts a penalty for late payment, the penalty amount is recognised as revenue on issue of the late payment notice.

	2021 $’000	2020 $’000
Taxes		
Motor Vehicle Registrations Duty		
Other Taxes		
Total Taxes		
Licences		
Drivers’ Licences		
Total Licences		
Fees		
Fees for Regulatory Services		
Other Fees		
Total Fees		
Fines		
Traffic Fines		
Parking Fines		
Total Fines		
Total Taxes, Fees and Fines		

Commentary – Note 52: Taxes, Licences, Fees and Fines – Territorial

ACT Disclosure Policy

The break-up of Taxes, Fees and Fines shown here is an example only. As Taxes, Fees and Fines collected are generally unique to each agency, the break-up of this note disclosure will differ between agencies. Agencies will need to disclose relevant line items of Taxes, Fees and Fines that apply to them. It is ACT Disclosure policy that all material line items within Taxes, Fees and Fines be separately disclosed in this note.

AASB 2018-4

Revenue from licences are accounted for under AASB 15 (see exemptions below), while income from taxes are accounted for under AASB 1058.

AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public sector licensors amended AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases* to add requirements and authoritative implementation guidance for application by not-for-profit public sector licensors. The amendments to AASB 15 include:

- expanding the scope of AASB 15 to include non-contractual licences;
- guidance distinguishing a licence from a tax;
- guidance clarifying the types of licences issued by not-for-profit public sector licensors;
- guidance clarifying the application of the principles in AASB 15 to licences that are not within the scope of other Australian Accounting Standards; and
- providing recognition exemptions for short-term licences (a term of 12 months or less) and licences issued for a low transaction price (ACT Government agencies will apply a threshold of $10,000 to determine whether a licence has a low-transaction price). In these cases, revenue is recognised either at the point in time the licence is issued, or on a straight-line basis over the licence term or another systematic basis.

AASB 15.Aus8.3

The amendments to AASB 16 clarify that licences that are in substance leases or contain leases, except licences of intellectual property, fall within the scope of AASB 16. Revenue from licences are accounted for under AASB 15 and taxes are accounted for under AASB 1058.

AASB 15G.26

Examples of low-value licences include driver licences, marriage licences and working with children permits.

APPENDIX D – CHANGE IN ACCOUNTING POLICY, ACCOUNTING ESTIMATES, AND CORRECTION OF A PRIOR PERIOD ERROR

Appendix D the change in accounting policy, accounting estimates and correction of prior period error applies to both the Controlled and Territorial financial statements.

CHANGE IN ACCOUNTING ESTIMATES

'Example Agency' had the following changes in accounting estimates during the reporting period.

REVISION OF USEFUL LIVES AND RESIDUAL VALUES

'Example Agency' reviewed the useful lives and residual values of its property, plant and equipment at the end of the reporting period. This review resulted in the adjustment to the useful lives of some community and heritage assets and the increase of the residual value of some plant and equipment, for details see Note 14 Depreciation and Amortisation.

> **Reference** : AASB 108.34 & 39

REVISION OF RESTRUCTURING PROVISION

'Example Agency reviewed its provision for the restructuring of a maintenance division at the end of the reporting period. It was determined that the initial amount estimated for the dismantling and disposing of plant and equipment was overstated and as such has been reduced, for details see Note 37 Other Provisions.

Appendix D the change in accounting policy, accounting estimates and correction of prior period error applies to both the Controlled and Territorial financial statements.

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CHANGE IN ACCOUNTING POLICY

Information provided below explains the impact of the adoption of [Insert relevant information here]. ~~AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 16 *Leases* on 'Example Agency's' financial statements.~~

~~**Initial Application of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities***~~

~~AASB 15 *Revenue from Contracts with Customers* replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts*, AASB 1004 *Contributions and* related interpretations for annual reporting periods beginning on or after 1 January 2019 for not-for-profit entities.~~

~~'Example Agency' will adopt the modified retrospective approach on transition to AASB 15 and AASB 1058. No comparative information will be restated under this approach, and 'Example Agency' will recognise the cumulative effect of initially applying the standard as an adjustment to the opening balance of Equity as at the date of initial application (1 July 2019).~~

~~Under this transition method, agencies may elect to apply the Standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application.~~

~~Revenue Recognition under AASB 15~~

~~Under AASB 15 agencies recognise revenue when (or as) they satisfy a performance obligation by transferring a promised good or service and it is based on the transfer of control rather than the transfer of risks or rewards.~~

~~AASB 15 focuses on providing sufficient information to the users of financial statements about the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. Revenue is recognised by applying the following five steps:~~

1. ~~identifying contracts with customers;~~
2. ~~identifying separate performance obligations;~~
3. ~~determining the transaction price of the contract;~~
4. ~~allocating the transaction price to each of the performance obligations; and~~
5. ~~recognising revenue as each performance obligation is satisfied.~~

~~Revenue is recognised either over time or at a point in time. Any distinct goods or services are separately identified and any discounts or rebates in the contract price are allocated to the separate elements.~~

~~Revenue Recognition under AASB 1058~~

~~'Example Agency' receives income from appropriations and other agreements which are recognised under AASB 1058. AASB 1058 is applied to Not-for-Profit agencies for recognising income that either does not arise from an enforceable contract with customers or which do not have sufficiently specific performance obligations. The timing of income recognition under AASB 1058 depends upon whether such a transaction gives rise to a liability or a contribution by owners, related to an asset (such as cash or another asset recognised by an agency).~~

~~Contract Balances~~

~~When either party to the contract has performed the obligation, an agency must present the contract in the balance sheet as a contract asset or contract liability. Any unconditional rights to consideration are presented separately as a receivable.~~ ~~**Reference:** AASB 15.C7~~

~~To clarify:~~

- ~~a contract asset is recognised if an agency transfers goods or services to a customer before the customer pays consideration or the payment is due;~~
- ~~a contract liability is recognised if a customer pays consideration before the agency transfers a good or service to the customer; and~~
- ~~a receivable is an agency's right to consideration that is unconditional and only passage of time is required before payment of the consideration is due.~~ ~~**Reference:** AASB 1058.C6~~

~~This has resulted in an increase in the contract liability of $xxx at 1 July 2019 due to [insert reason for change].~~

~~Significant Changes to Accounting for Revenue on Adoption of AASB 15 and AASB 1058~~

APPENDIX D- CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES, AND CORRECTION PRIOR PERIOD ERROR

~~The significant changes to accounting policies arising from adoption of AASB 15 and AASB 1058 are described below and the impacts of these changes at 1 July 2019 and for the year ended 30 June 2020 are shown in the tables below.~~

~~Comparison of Financial Statement Line Items under AASB 15 and AASB 1058 Compared to Previous Standards for the Current Year~~

~~The table below shows for comparability purposes the operating statement and balance sheet for the year ended 30 June 2020 under AASB 15 / AASB 1058 and the previous revenue standards as if AASB 15 and AASB 1058 had not been adopted.~~ ~~**Reference:** ACT Disclosure Policy and AASB 15.C8a~~

~~Balance Sheet as at 30 June 2020~~

~~[Note – only include line items which are affected by the adoption of AASB 15 and AASB 1058]~~

	~~Notes to table~~	~~AASB 15 and AASB 1058 carrying amount per Balance sheet~~	~~Adjustments if AASB 15 and AASB 1058 had not been applied1~~	~~Carrying amount if AASB 15 and AASB 1058 had not been adopted~~
~~Current Assets~~				
~~[Insert line items affected]~~				
~~Current Liabilities~~				
~~[Insert line items]~~				
~~Non-Current Assets~~				
~~[Insert line items]~~				
~~Non-Current Liabilities~~				
~~[Insert line items]~~				
~~Net Assets~~				
~~Equity~~				
~~Retained earnings~~				
~~[Insert line items]~~				
~~Total Equity~~				

~~1 Where there are adjustments, Agencies should provide explanations~~

~~Operating Statement for the year ended 30 June 2020~~

~~[Note – only include line items which are affected by the adoption of AASB 15 and AASB 1058]~~

	~~Notes to table~~	~~AASB 15 / AASB 1058 balance per Operating Statement~~	~~Adjustments if AASB 15 and AASB 1058 had not been applied1~~	~~Balances if AASB 15 and AASB 1058 had not been adopted~~
~~Revenue~~				
~~[Insert line items]~~				
~~[Insert line items]~~				
~~[Insert line items]~~				
~~[Insert line items]~~				
~~Operating (deficit)/surplus~~				
~~Total Comprehensive Income~~				

~~1 Where there are adjustments, Agencies should provide explanations~~

~~Statement of Cash Flows for the year ended 30 June 2020~~

~~The Statement of Cash Flows is not materially different under AASB 1058 / AASB 15 from that which would be presented under the previous revenue standards.~~

APPENDIX D- CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES, AND CORRECTION PRIOR PERIOD ERROR

~~**Implementation of AASB 16 Leases**~~

~~For reporting periods beginning on or after 1 January 2019, AASB 16 Leases supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases- Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. AASB 16 primarily affects lessee accounting and provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of lessees and lessors. The main changes introduced by the new standard include identification of a lease within a contract and a new lease accounting model for lessees that requires that requires lessees to recognise all leases (previously operating and finance leases) in the Balance Sheet as a right-of-use asset and lease liability, except for short-term leases (leases of 12 months or less at commencement date) and low-value assets (valued at less than $10,000).~~

~~The operating and finance lease distinction no longer exists.~~

~~'Example Agency' has applied the modified retrospective approach on initial adoption. As permitted under the specific transition provisions in the standard, comparatives have not been restated. The cumulative effect of initially applying this standard is shown as an adjustment to the opening balance of retained earnings. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate.~~

~~'Example Agency' has applied the Territory Policy for Transition on AASB 16 Leases – see the Accounting Policy website: https://apps.treasury.act.gov.au/accounting~~

~~**Measurement of Lease Liabilities**~~

~~Operating Lease Commitments disclosed as at 30 June 2019~~		~~XXX~~
~~Discounted using incremental borrowing rate at date of initial application~~		~~XXX~~
~~Add: Finance Lease liabilities recognised as at 31 June 2019~~	~~XXX~~	
~~(Less): Short term leases not recognised as a liability~~	~~XXX~~	
~~(Less): Low value leases not recognised as a liability~~	~~XXX~~	
~~Lease Liability recognised as at 1 July 2019~~	~~XXX~~	

~~The effect of adopting AASB 15, AASB 16 and AASB 1058 as at 1 July 2019 was as follows:~~

	~~**Notes**~~	~~**Adjustments 1 January 2019 ($'000)**~~
~~**Assets**~~		
~~Trade Receivables~~	~~23~~	
~~Contract Assets~~	~~24~~	
~~Right of use Assets~~	~~27~~	
~~**Total Assets**~~		
~~**Liabilities**~~		
~~Contract Liabilities~~	~~33~~	
~~Lease Liabilities~~	~~35~~	
~~**Total Liabilities**~~		
~~**Total Adjustments on Equity**~~		
~~Accumulated surplus/(deficit)~~		

~~With these changes, the net impact on retained earnings on 1 July 2019 was XXXX.~~

~~The Agency has adopted AASB 16 Leases using the modified retrospective (cumulative catch-up) method from 1 July 2019 and therefore the comparative information for the year ended 30 June 2019 has not been restated and has been prepared in accordance with AASB 117 Leases and associated Accounting Interpretations.~~ ~~**Reference:** AASB 16.C5~~

~~**Impact of Adoption of AASB 16**~~

~~The impact of adopting AASB 16 is described below.~~

~~Agency as a Lessee~~

~~Under AASB 117, the Agency assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Agency or remained with the lessor.~~

~~Under AASB 16, the concept of operating and finance leases no longer exists for the lessee and therefore all leases which meet the definition of a lease are recognised on the balance sheet (except for short-term leases and leases of low value assets).~~

~~The Agency has elected to use the exception to lease accounting for short-term leases and leases of low value assets and the lease expense relating to these leases are recognised in the operating statement on a straight line basis.~~

~~Practical expedients used on transition~~ ~~*in accordance with the Territory Policy for Transition on AASB 16:*~~

~~*AASB 16*~~ ~~includes a number of practical expedients which can be used on transition, the Agency has used the following expedients:~~

- ~~contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16;~~
- ~~lease liabilities have been discounted using the Agency's incremental borrowing rate at 1 July 2019 based on the remaining lease term;~~
- ~~right of use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments for building leases where the historical information is not readily available and all non-building leases;~~
- ~~the right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset;~~
- ~~excluded leases with an expiry date prior to 30 June 2020 from the statement of financial position and lease expenses for these leases have been recorded on a straight-line basis over the remaining term; and~~
- ~~used hindsight when determining the lease term is the contract contains options to extend or terminate the lease.~~ ~~**Reference:** AASB 16.C9,C10~~

~~Where leases which were previously classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are the same value as the leased asset and liability on 30 June 2019.~~ ~~**Reference:** AASB 16.C11~~

~~Financial Statement Impact of Adoption of AASB 16~~

~~At 1 July 2019, the Agency has recognised right of use assets of $xxx and lease liabilities of $xxx for leases previously classified as operating leases.~~

~~The weighted average lessee's incremental borrowing rate applied to lease liabilities at [beginning of current reporting period] was xx%.~~ ~~**Reference:** AASB 16.C12a~~

~~The table below provides an explanation of the difference between the operating lease commitments note at 30 June 2019 and the recorded lease liability at 1 July 2019.~~

	~~$'000~~
~~Operating lease commitments at 30 June 2019~~	
~~Discounted using the incremental borrowing rate at 1 July 2019~~	
~~Add:~~	
~~Finance lease liabilities~~	
~~Extension options reasonably certain to be exercised not included in the commitments note~~	
~~Variable lease payments linked to an index~~	
~~[Other reconciling items]~~	
~~Less:~~	
~~Short-term leases included in commitments note~~	
~~Leases for low value assets included in commitments note~~	
~~Non-lease components included in the commitments note but excluded from the lease liability~~	
~~[Other reconciling items]~~	
~~Lease liabilities recognised at 1 July 2019~~	

~~**Reference:** AASB 16.C12b~~

~~Agency as a Lessor~~

~~For the arrangements where the Agency is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.~~

~~The Agency has applied AASB 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.~~ ~~**Reference:** AASB 16.C14,15~~

APPENDIX D - COMMENTARY

CHANGE IN ACCOUNTING POLICY

For information concerning the treatment and disclosure of a Change in Accounting Policy please refer to the Model Supplement: *Presenting Restatements of Comparatives*.

In relation to revenue changes, Agencies need to tailor this note for the specific impacts on their revenue recognition policies and provide explanations for changes.

Only affected line items are included in the Operating Statement and Balance Sheet table.

If the impact on the Statement of Cash Flows is material then a table showing the changes (similar to the operating statement and the balance sheet) should be included.

CHANGES IN ACCOUNTING ESTIMATES

The effect of a change in an accounting estimate shall be recognised prospectively in the Operating Statement in:

- the period of the change, if the change affects that period only; or
- the period of the change and future periods, if the change affects both.

  Reference: AASB 108.36

Except to the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the reporting period of the change.

Reference: AASB 108.37

Agencies are required to disclose the nature and amount of a change in an accounting estimate that has an effect in the current reporting period or is expected to have an effect in future reporting periods, except for the disclosure of the effect on future reporting periods when it is impracticable to estimate that effect. If the amount of the effect in future periods is not disclosed because estimating it is impracticable, that fact shall be disclosed.

Reference: AASB 108.39, AASB 108.40

For property, plant and equipment, disclosure of a change in an accounting estimate may arise from changes in estimates with respect to:

- residual values;
- the estimated costs of dismantling, removing or restoring items of property, plant and equipment;
- useful lives; and
- depreciation methods.

CORRECTION OF PRIOR PERIOD ERRORS

For information concerning the treatment and disclosure of a correction of a prior period error, please refer to the Model Supplement: *Presenting Restatements of Comparatives*.

MODIFICATION

Agencies should modify this note to their particular requirements. For example, if an agency only has a change in accounting policy and no corrections of errors or change in accounting estimates, then only the section on changes in accounting policy is required. The note title should only reflect what the note contains. In the example above, there is only a Change in Accounting Estimates.

In the event that an agency has none of the items to report, then the note should be omitted in its entirety.

Chief Minister, Treasury and Economic Development Directorate

June 2021