

STATEMENT 9: BUDGET FINANCIAL STATEMENTS

The budget financial statements consist of an operating statement, including other economic flows, a balance sheet, and a cash flow statement for the Australian Government general government sector (GGS), the public non-financial corporations sector (PNFC) and the total non-financial public sector (NFPS). This statement also contains notes showing disaggregated information for the GGS.

The *Charter of Budget Honesty Act 1998* (the Charter) requires that the budget be based on external reporting standards and for departures from these standards to be disclosed. The Government has produced budget financial statements that comply with both Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS), meeting the requirement of the Charter, with departures disclosed. The statements reflect the Government's accounting policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

The Australian, State and Territory governments have an agreed framework – the Accrual Uniform Presentation Framework (UPF) – for the presentation of government financial information on a basis broadly consistent with the Australian Accounting Standards Board standard AASB 1049. The budget financial statements are consistent with the requirements of the UPF.

In accordance with the UPF requirements, this statement also contains an update of the Australian Government's Loan Council Allocation.

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STATEMENT 9: BUDGET FINANCIAL STATEMENTS

Table 1: Australian Government general government sector operating statement

	Note	Estimates			Projections	
		2011-12	2012-13	2013-14	2014-15	2015-16
		\$m	\$m	\$m	\$m	\$m
Revenue						
Taxation revenue	3	316,454	354,626	380,727	403,278	427,160
Sales of goods and services	4	8,256	8,264	8,641	8,455	8,788
Interest income	5	4,703	5,113	5,209	5,187	5,493
Dividend income	5	1,669	2,485	1,966	2,137	2,197
Other	6	5,336	5,583	5,654	5,773	5,922
Total revenue		336,418	376,071	402,197	424,830	449,559
Expenses						
Gross operating expenses						
Wages and salaries(a)	7	18,814	19,110	18,946	19,213	20,026
Superannuation	7	4,316	3,968	4,047	4,113	4,169
Depreciation and amortisation	8	6,003	6,188	6,322	6,393	6,468
Supply of goods and services	9	69,984	71,120	74,160	78,322	83,748
Other operating expenses(a)	7	5,750	5,057	5,232	5,403	5,585
<i>Total gross operating expenses</i>		<i>104,867</i>	<i>105,443</i>	<i>108,707</i>	<i>113,444</i>	<i>119,996</i>
Superannuation interest expense	7	7,358	8,015	8,295	8,587	8,908
Interest expenses	10	13,009	13,587	13,962	13,731	13,602
Current transfers						
Current grants	11	110,686	112,720	120,484	129,129	134,172
Subsidy expenses		10,121	12,943	14,842	14,941	15,691
Personal benefits	12	112,450	114,975	121,943	128,464	138,447
<i>Total current transfers</i>		<i>233,258</i>	<i>240,637</i>	<i>257,269</i>	<i>272,534</i>	<i>288,311</i>
Capital transfers	11					
Mutually agreed write-downs		2,139	2,266	2,407	2,589	2,766
Other capital grants		13,040	6,324	7,863	5,564	5,461
<i>Total capital transfers</i>		<i>15,179</i>	<i>8,589</i>	<i>10,271</i>	<i>8,153</i>	<i>8,227</i>
Total expenses		373,671	376,273	398,503	416,449	439,044
Net operating balance		-37,253	-202	3,694	8,381	10,516
Other economic flows						
Gain/loss on equity and on sale of assets(b)		-308	6,554	3,656	3,767	5,375
Net write-downs of assets (including bad and doubtful debts)		-4,822	-5,358	-5,735	-6,114	-6,605
Assets recognised for the first time		507	531	555	579	604
Liabilities recognised for the first time		0	0	0	0	0
Actuarial revaluations		-6,087	0	0	0	0
Net foreign exchange gains		70	-17	11	67	58
Net swap interest received		67	0	0	0	0
Market valuation of debt		-15,396	2,635	2,329	1,930	1,604
Other economic revaluations(c)		399	-153	470	578	287
Total other economic flows		-25,571	4,193	1,285	808	1,323
Comprehensive result -						
Total change in net worth	13	-62,823	3,991	4,980	9,189	11,839
Net operating balance		-37,253	-202	3,694	8,381	10,516
Net acquisition of non-financial assets						
Purchases of non-financial assets		10,304	8,040	7,051	7,363	9,579
<i>less</i> Sales of non-financial assets		589	4,872	459	244	1,588
<i>less</i> Depreciation		6,003	6,188	6,322	6,393	6,468
<i>plus</i> Change in inventories		604	384	320	302	399
<i>plus</i> Other movements in non-financial assets		433	-65	458	334	-864
Total net acquisition of non-financial assets		4,749	-2,701	1,048	1,361	1,059
Fiscal balance (Net lending/borrowing)(d)		-42,002	2,500	2,646	7,020	9,457

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) Reflects changes in the market valuation of investments and any revaluations at the point of disposal or sale.

(c) Largely reflects other revaluation of assets and liabilities.

(d) The term fiscal balance is not used by the ABS.

Table 2: Australian Government general government sector balance sheet

	Note	Estimates			Projections	
		2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
Assets						
Financial assets						
Cash and deposits	20(a)	2,470	2,224	2,506	2,532	2,801
Advances paid	14	29,711	33,044	37,736	42,466	47,083
Investments, loans and placements	15	99,962	107,796	108,190	108,122	109,450
Other receivables	14	36,031	39,772	41,159	43,501	43,948
Equity investments						
Investments in other public sector entities		20,602	25,305	31,971	36,261	40,242
Equity accounted investments		317	317	317	318	319
Investments - shares		27,190	30,075	33,472	36,435	39,514
Total financial assets		216,282	238,532	255,351	269,635	283,356
Non-financial assets						
Land	16	8,609	8,558	8,495	8,524	8,517
Buildings		22,947	23,188	23,128	23,050	23,669
Plant, equipment and infrastructure		52,363	53,011	53,304	53,716	55,572
Inventories		7,069	7,095	7,039	6,947	6,894
Intangibles		5,347	5,528	5,502	5,636	5,777
Investment property		314	660	682	682	682
Biological assets		36	36	36	36	36
Heritage and cultural assets		9,567	9,581	9,593	9,605	9,617
Assets held for sale		146	146	146	146	146
Other non-financial assets		3,131	3,061	3,540	3,904	3,100
Total non-financial assets		109,528	110,864	111,465	112,245	114,010
Total assets		325,811	349,396	366,815	381,881	397,365
Liabilities						
Interest bearing liabilities						
Deposits held		209	209	209	209	209
Government securities		265,844	274,231	281,332	281,348	279,234
Loans	17	7,764	10,880	10,352	10,368	10,199
Other borrowing		818	1,089	1,425	1,309	1,259
Total interest bearing liabilities		274,635	286,408	293,318	293,233	290,900
Provisions and payables						
Superannuation liability	18	138,515	143,667	148,922	154,274	159,711
Other employee liabilities	18	12,623	12,896	13,265	13,536	13,618
Suppliers payable	19	4,607	4,555	4,639	4,687	4,706
Personal benefits provisions and payable	19	12,436	13,929	14,222	14,666	15,251
Subsidies provisions and payable	19	2,318	3,289	3,516	3,629	3,330
Grants provisions and payable	19	10,938	11,248	9,996	8,789	8,654
Other provisions and payables	19	11,508	11,182	11,736	12,676	12,966
Total provisions and payables		192,944	200,765	206,296	212,256	218,236
Total liabilities		467,580	487,174	499,614	505,490	509,136
Net worth(a)		-141,769	-137,778	-132,798	-123,609	-111,771
<i>Net financial worth(b)</i>		<i>-251,297</i>	<i>-248,642</i>	<i>-244,263</i>	<i>-235,855</i>	<i>-225,781</i>
<i>Net financial liabilities(c)</i>		<i>271,899</i>	<i>273,946</i>	<i>276,234</i>	<i>272,115</i>	<i>266,022</i>
<i>Net debt(d)</i>		<i>142,493</i>	<i>143,345</i>	<i>144,887</i>	<i>140,113</i>	<i>131,567</i>

(a) Net worth is calculated as total assets minus total liabilities.

(b) Net financial worth equals total financial assets minus total liabilities.

(c) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.

(d) Net debt equals the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 3: Australian Government general government sector cash flow statement^(a)

	Estimates			Projections	
	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
Cash receipts from operating activities					
Taxes received	309,653	343,107	371,409	392,852	415,459
Receipts from sales of goods and services	8,040	8,289	8,696	8,426	8,741
Interest receipts	4,343	4,660	4,679	4,525	4,822
Dividends and income tax equivalents	2,222	2,518	1,967	2,137	2,197
Other receipts	5,129	5,329	5,335	5,433	5,566
Total operating receipts	329,386	363,902	392,085	413,374	436,786
Cash payments for operating activities					
Payments for employees	-25,505	-25,849	-25,899	-26,381	-27,541
Payments for goods and services	-70,020	-71,162	-74,089	-78,347	-83,892
Grants and subsidies paid	-136,299	-129,330	-141,792	-147,811	-150,809
Interest paid	-10,846	-11,661	-11,450	-11,519	-12,975
Personal benefit payments	-112,588	-113,517	-121,656	-128,018	-137,922
Other payments	-5,078	-4,760	-4,943	-5,142	-5,416
Total operating payments	-360,336	-356,280	-379,831	-397,218	-418,554
Net cash flows from operating activities	-30,950	7,622	12,254	16,156	18,231
Cash flows from investments in non-financial assets					
Sales of non-financial assets	589	4,872	459	244	1,588
Purchases of non-financial assets	-10,882	-7,523	-6,999	-7,672	-8,695
Net cash flows from investments in non-financial assets	-10,293	-2,651	-6,540	-7,428	-7,108
Net cash flows from investments in financial assets for policy purposes	-7,044	-13,281	-12,041	-8,826	-9,157
Cash flows from investments in financial assets for liquidity purposes					
Increase in investments	1,035	-1,979	-1,570	-1,045	-2,027
Net cash flows from investments in financial assets for liquidity purposes	1,035	-1,979	-1,570	-1,045	-2,027
Cash receipts from financing activities					
Borrowing	48,141	11,549	9,956	2,911	1,865
Other financing	29	0	0	1	0
Total cash receipts from financing activities	48,170	11,549	9,956	2,912	1,865
Cash payments for financing activities					
Borrowing	0	0	0	0	0
Other financing	-925	-1,507	-1,778	-1,743	-1,536
Total cash payments for financing activities	-925	-1,507	-1,778	-1,743	-1,536
Net cash flows from financing activities	47,245	10,043	8,179	1,169	329
Net increase/(decrease) in cash held	-7	-246	282	27	268

Table 3: Australian Government general government sector cash flow statement (continued)^(a)

	Estimates			Projections	
	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
Net cash flows from operating activities and investments in non-financial assets (Surplus+)/deficit(-)	-41,243	4,971	5,714	8,728	11,124
Finance leases and similar arrangements(b)	-119	-406	-470	-1	-1
GFS cash surplus(+)/deficit(-)	-41,362	4,565	5,244	8,727	11,122
<i>less</i> Future Fund earnings	3,040	3,030	3,201	3,408	3,653
Equals underlying cash balance(c)	-44,402	1,536	2,044	5,318	7,469
<i>plus</i> Net cash flows from investments in financial assets for policy purposes	-7,044	-13,281	-12,041	-8,826	-9,157
<i>plus</i> Future Fund earnings	3,040	3,030	3,201	3,408	3,653
Equals headline cash balance	-48,406	-8,715	-6,797	-99	1,965

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.

(c) The term underlying cash balance is not used by the ABS.

Table 4: Australian Government public non-financial corporations sector operating statement

	Estimates	
	2011-12 \$m	2012-13 \$m
Revenue		
Current grants and subsidies	17	20
Sales of goods and services	7,888	7,917
Interest income	91	46
Other	1	0
Total revenue	7,997	7,984
Expenses		
Gross operating expenses		
Wages and salaries(a)	3,013	3,055
Superannuation	228	252
Depreciation and amortisation	553	842
Supply of goods and services	3,793	4,102
Other operating expenses(a)	414	412
<i>Total gross operating expenses</i>	<i>8,000</i>	<i>8,664</i>
Interest expenses	95	136
Other property expenses	233	245
Current transfers		
Tax expenses	45	134
<i>Total current transfers</i>	<i>45</i>	<i>134</i>
Total expenses	8,374	9,179
Net operating balance	-377	-1,195
Other economic flows	-1,032	20
Comprehensive result - Total change in net worth excluding contribution from owners	-1,409	-1,174
Net acquisition of non-financial assets		
Purchases of non-financial assets	3,411	4,981
<i>less</i> Sales of non-financial assets	42	14
<i>less</i> Depreciation	553	842
<i>plus</i> Change in inventories	29	74
<i>plus</i> Other movements in non-financial assets	184	286
Total net acquisition of non-financial assets	3,030	4,484
Fiscal balance (Net lending/borrowing)(b)	-3,407	-5,679

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) The term fiscal balance is not used by the ABS.

Table 5: Australian Government public non-financial corporations sector balance sheet

	Estimates	
	2011-12 \$m	2012-13 \$m
Assets		
Financial assets		
Cash and deposits	1,621	2,903
Investments, loans and placements	52	52
Other receivables	1,073	1,100
Equity investments	302	338
<i>Total financial assets</i>	3,048	4,393
Non-financial assets		
Land and fixed assets	10,478	14,612
Other non-financial assets(a)	906	1,286
<i>Total non-financial assets</i>	11,383	15,899
Total assets	14,431	20,291
Liabilities		
Interest bearing liabilities		
Borrowing	2,123	2,863
<i>Total interest bearing liabilities</i>	2,123	2,863
Provisions and payables		
Other employee liabilities	1,497	1,317
Other provisions and payables(a)	2,102	2,576
<i>Total provisions and payables</i>	3,598	3,893
Total liabilities	5,722	6,756
Shares and other contributed capital	8,710	13,535
Net worth(b)	8,710	13,535
<i>Net financial worth(c)</i>	-2,673	-2,363
<i>Net debt(d)</i>	451	-92

(a) Excludes the impact of commercial taxation adjustments.

(b) Under AASB 1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(c) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(d) Net debt equals the sum of interest bearing liabilities (deposits held, advances received and borrowing), minus the sum of cash and deposits and investments, loans and placements.

Table 6: Australian Government public non-financial corporations sector cash flow statement^(a)

	Estimates	
	2011-12 \$m	2012-13 \$m
Cash receipts from operating activities		
Receipts from sales of goods and services	8,989	9,069
GST input credit receipts	80	86
Other receipts	116	71
Total operating receipts	9,185	9,226
Cash payments for operating activities		
Payments to employees	-3,558	-3,594
Payment for goods and services	-4,448	-4,843
Interest paid	-57	-65
GST payments to taxation authority	-490	-511
Other payments	-47	-136
Total operating payments	-8,601	-9,148
Net cash flows from operating activities	584	78
Cash flows from investments in non-financial assets		
Sales of non-financial assets	85	14
Purchases of non-financial assets	-3,598	-5,229
Net cash flows from investments in non-financial assets	-3,513	-5,215
Cash flows from investments in financial assets		
for liquidity purposes		
Increase in investments	-193	63
Net cash flows from investments in financial assets		
for liquidity purposes	-193	63
Net cash flows from financing activities		
Borrowing (net)	924	632
Other financing (net)	2,516	5,952
Distributions paid (net)	-247	-227
Net cash flows from financing activities	3,193	6,356
Net increase/(decrease) in cash held	71	1,282
Cash at the beginning of the year	1,551	1,621
Cash at the end of the year	1,621	2,903
Net cash from operating activities and investments in non-financial assets	-2,929	-5,137
Distributions paid	-247	-227
Equals surplus(+)/deficit(-)	-3,176	-5,364
Finance leases and similar arrangements(b)	0	-6
GFS cash surplus(+)/deficit(-)	-3,176	-5,370

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table 7: Australian Government total non-financial public sector operating statement

	Estimates	
	2011-12 \$m	2012-13 \$m
Revenue		
Taxation revenue	316,409	354,492
Sales of goods and services	14,951	15,089
Interest income	4,764	5,131
Dividend income	1,436	2,240
Other	5,337	5,583
Total revenue	342,897	382,535
Expenses		
Gross operating expenses		
Wages and salaries(a)	21,827	22,165
Superannuation	4,544	4,221
Depreciation and amortisation	6,556	7,031
Supply of goods and services	72,583	74,128
Other operating expenses(a)	6,164	5,469
<i>Total gross operating expenses</i>	<i>111,674</i>	<i>113,014</i>
Superannuation interest expense	7,358	8,015
Interest expenses	13,075	13,695
Current transfers		
Current grants	110,686	112,720
Subsidy expenses	10,104	12,923
Personal benefits	112,450	114,975
<i>Total current transfers</i>	<i>233,241</i>	<i>240,618</i>
Capital transfers	15,179	8,589
Total expenses	380,527	383,931
Net operating balance	-37,630	-1,396
Other economic flows	-25,789	5,510
Comprehensive result - Total change in net worth	-63,418	4,113
Net acquisition of non-financial assets		
Purchases of non-financial assets	13,715	13,020
<i>less</i> Sales of non-financial assets	631	4,886
<i>less</i> Depreciation	6,556	7,031
<i>plus</i> Change in inventories	633	458
<i>plus</i> Other movements in non-financial assets	617	221
Total net acquisition of non-financial assets	7,779	1,783
Fiscal balance (Net lending/borrowing)(b)	-45,408	-3,179

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) The term fiscal balance is not used by the ABS.

Table 8: Australian Government total non-financial public sector balance sheet

	Estimates	
	2011-12 \$m	2012-13 \$m
Assets		
Financial assets		
Cash and deposits	4,091	5,127
Advances paid	29,711	33,044
Investments, loans and placements	99,710	107,544
Other receivables	36,963	40,733
Equity investments	38,503	41,422
<i>Total financial assets</i>	<i>208,978</i>	<i>227,870</i>
Non-financial assets		
Land and fixed assets	111,033	116,046
Other non-financial assets	9,879	10,717
<i>Total non-financial assets</i>	<i>120,912</i>	<i>126,762</i>
Total assets	329,889	354,633
Liabilities		
Interest bearing liabilities		
Deposits held	209	209
Government securities	265,844	274,231
Loans	7,460	10,576
Other borrowing	2,942	3,952
<i>Total interest bearing liabilities</i>	<i>276,455</i>	<i>288,968</i>
Provisions and payables		
Superannuation liability	138,515	143,667
Other employee liabilities	14,119	14,213
Other provisions and payables	43,768	46,640
<i>Total provisions and payables</i>	<i>196,402</i>	<i>204,519</i>
Total liabilities	472,857	493,487
Shares and other contributed capital	8,710	13,535
Net worth(a)	-142,968	-138,854
<i>Net financial worth(b)</i>	<i>-263,879</i>	<i>-265,617</i>
<i>Net debt(c)</i>	<i>142,943</i>	<i>143,253</i>

(a) Under AASB 1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(b) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under ABS GFS, net financial worth equals total financial assets minus total liabilities, minus shares and other contributed capital. The AASB 1049 method is used in this table.

(c) Net debt equals the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 9: Australian Government total non-financial public sector cash flow statement^(a)

	Estimates	
	2011-12 \$m	2012-13 \$m
Cash receipts from operating activities		
Taxes received	309,608	342,971
Receipts from sales of goods and services	14,911	15,331
Interest receipts	4,405	4,679
Dividends and income tax equivalents	1,999	2,313
Other receipts	5,129	5,330
Total operating receipts	336,051	370,625
Cash payments for operating activities		
Payments to employees	-29,063	-29,443
Payments for goods and services	-72,760	-74,404
Grants and subsidies paid	-136,299	-129,330
Interest paid	-10,873	-11,697
Personal benefit payments	-112,588	-113,517
Other payments	-5,080	-4,761
Total operating payments	-366,664	-363,152
Net cash flows from operating activities	-30,613	7,473
Cash flows from investments in non-financial assets		
Sales of non-financial assets	675	4,886
Purchases of non-financial assets	-14,481	-12,752
Net cash flows from investments in non-financial assets	-13,806	-7,866
Net cash flows from investments in financial assets for policy purposes	-7,044	-13,281
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	3,301	4,084
Net cash flows from investments in financial assets for liquidity purposes	3,301	4,084
Net cash flows from financing activities		
Borrowing (net)	49,065	12,181
Other financing (net)	-840	-1,555
Net cash flows from financing activities	48,226	10,626
Net increase/(decrease) in cash held	63	1,036
Cash at the beginning of the year	4,028	4,091
Cash at the end of the year	4,091	5,127
Net cash from operating activities and investments in non-financial assets	-44,419	-394
Distributions paid	0	0
Equals surplus(+)/deficit(-)	-44,419	-394
Finance leases and similar arrangements(b)	-119	-412
GFS cash surplus(+)/deficit(-)	-44,538	-805

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* (the Charter) requires that the budget be based on external reporting standards and that departures from applicable external reporting standards be identified.

The major external standards used for budget reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods*, (cat no. 5514.0), which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and
- Australian Accounting Standards (AAS), being AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) and other applicable Australian Equivalents to International Financial Reporting Standards (AEIFRS).

As required by the Charter, the financial statements have been prepared on an accrual basis that complies with both ABS GFS and AAS, except for departures disclosed at Note 2.

A more detailed description of the AAS and ABS GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Appendix A. Table A2 in Appendix A explains the key differences between the two frameworks. Detailed accounting policies, as required by AAS, are disclosed in the annual consolidated financial statements.

Budget reporting focuses on the general government sector (GGS). The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies, user charging and external funding. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS, all material transactions and balances between entities within the GGS have been eliminated. A list of entities within the GGS, as well as entities within and a description of the public non-financial corporations (PNFC) sector and public financial corporations (PFC) sector, are disclosed in Table A1 in Appendix A.

The Government's key fiscal aggregates are based on ABS GFS concepts and definitions, including the ABS GFS cash surplus/deficit and the derivation of the underlying cash balance and net financial worth. AASB 1049 requires the disclosure of other ABS GFS fiscal aggregates, including net operating balance, net lending/borrowing (fiscal balance) and net worth. In addition to these ABS GFS

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aggregates the Accrual Uniform Presentation Framework (UPF) requires disclosure of net debt, net financial worth and net financial liabilities.

Explanations of variations in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth since the *Mid-Year Economic and Fiscal Outlook 2011-12* (MYEFO) are disclosed in Statement 3.

Details of the Australian Government's GGS contingent liabilities are disclosed in Statement 8.

Comprehensive guidance has not been issued under either the AAS or ABS GFS frameworks for the measurement of accrual revenue and expenses under the carbon price. Current estimates measure revenue and expenses at the expected market price for carbon in the year that emissions occur. Finance and Treasury will continue to review this treatment in consultation with the ABS and the Australian National Audit Office (ANAO).

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The budget financial statements depart from the external reporting standards as follows.

General government sector

Departures from ABS GFS

ABS GFS requires that provisions for bad and doubtful debts be excluded from the balance sheet. This treatment has not been adopted in the budget financial statements or in any reconciliation notes because excluding such provisions would overstate the value of Australian Government assets in the balance sheet. The budget financial statements currently adopt AAS treatment for provisions for bad and doubtful debts.

ABS GFS treats coins on issue as a liability and no revenue is recognised. The ABS GFS treatment of circulating coins as a liability has not been adopted in the budget financial statements or in any reconciliation notes. Instead, the budget financial statements adopt AAS treatment for circulating coins (seigniorage). Under this treatment seigniorage revenue is recognised upon the issue of coins and no liability is recorded.

Under ABS GFS, prepayments are classified as financial assets. In accordance with AAS, prepayments have been classified as non-financial assets in the budget financial statements. This is a classification difference that impacts on net financial worth.

ABS GFS records defence weapons platforms (DWP) as a non-financial asset on a market value basis (fair value), rather than expensing at time of acquisition. The value used by ABS is consistent with the National Accounts statistical methodology, and

represents an early adoption of changes to the *System of National Accounts 2008*. ABS GFS treatment of DWP is consistent with AAS, as non-financial assets can be valued at fair value as long as they can be reliably measured, otherwise cost is permissible. DWP will be valued at cost in the budget financial statements, as they have in previous budgets, while the Australian Government ascertains if a relevant and reliable fair value can be sourced.

Under ABS GFS, concessional loans are recognised at their nominal value, that is, they are not discounted to fair (market) value as there is not considered to be a secondary market. This treatment has not been adopted for the financial statements. Consistent with AAS, loans issued at below market interest rates or with long repayment periods are recorded at fair value (by discounting them by market interest rates). The difference between the nominal value and the fair value of the loan is recorded as an expense which is written back over the life of the loan.

ABS GFS requires investments in unlisted public sector entities to be valued based on their net assets. Under AAS, investments in public sector entities can be valued at fair value as long as a fair value can be reliably measured, otherwise net assets is permissible. The AAS treatment has been adopted in the financial statements.

Movements in the provision for restoration, decommissioning and make-good of assets have been included in the calculation of the fiscal balance capital adjustment because in many cases they involve legal obligations to expend resources. ABS GFS does not recognise adjustments for such provisions because they are considered a constructive obligation that may not materialise for many years.

Departures from AAS (including AASB 1049)

AAS requires the advances paid to the International Development Association and Asian Development Fund to be recognised at fair value. Under ABS GFS, these advances are recorded at nominal value. ABS GFS treatment is adopted in the financial statements.

AASB 1049 requires the disclosure of the operating result and its derivation on the face of the operating statement. However, as this aggregate is not used by the Australian Government (and is not required by the UPF), it has been disclosed in Note 13 rather than on the face of the operating statement.

AASB 1049 requires disaggregated information, by ABS GFS function, for expenses and total assets to be disclosed where they are reliably attributable. ABS GFS does not require total assets attributed to functions. In accordance with ABS GFS, disaggregated information for expenses and net acquisition of non-financial assets by function is disclosed in Statement 6. In accordance with the UPF, purchases of non-financial assets by function are also disclosed in Statement 6.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to ABS GFS measurement of items, where

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different, in notes to the financial statements. Reconciliation notes have not been included as they would effectively create two measures of the same aggregate.

AASB 1049 requires major variances between original budget estimates and outcomes to be explained in the financial statements. Explanations of major variances for the 2011-12 year from the 2011-12 Budget to the 2011-12 MYEFO are discussed in Part 3 of the MYEFO. All policy decisions taken between the 2011-12 Budget and the 2011-12 MYEFO are disclosed in Appendix A of the MYEFO. Explanations of variations since the 2011-12 MYEFO are disclosed in Statement 3 of this document, with all decisions taken since the MYEFO disclosed in Budget Paper No. 2.

In addition to above adjustments, there are specific adjustments made to the corporations sectors as outlined below.

Public non-financial corporations (PNFC) sector and total non-financial public sector (NFPS)

Departures from ABS GFS

AASB 1049 defines net worth for the PNFC sector and NFPS as total assets less total liabilities, however, ABS GFS defines net worth as total assets less total liabilities less shares and contributed capital (which is equal to zero for the PNFC sector). Similarly, AASB 1049 defines net financial worth for these sectors as financial assets less total liabilities, whereas under ABS GFS it is equal to financial assets less total liabilities less shares and contributed capital. The AASB 1049 treatment has been adopted in the PNFC sector and NFPS financial statements.

Departures from AAS (including AASB 1049)

The financial statements for the PNFC sector and NFPS comply with the UPF but do not include all the line item disclosures required by AASB 1049. Disaggregated outcome notes for the PNFC sector will be disclosed in the consolidated financial statements.

AAS requires dividends paid to be classified as a distribution of equity. Under ABS GFS, dividends paid are classified as an expense. ABS GFS treatment has been adopted for use in the financial statements.

Australian government public corporations use commercial tax effect accounting to determine their net tax liability while the ATO determines their tax liability on a due and payable basis. To ensure symmetry in treatment between Australian government sectors, the ABS removes tax effect adjustments. The GFS treatment has been adopted in the financial statements.

Note 3: Taxation revenue by type

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Income taxation					
Individuals and other withholding taxes					
Gross income tax withholding	143,220	151,620	164,980	175,860	186,650
Gross other individuals	33,610	37,670	40,250	44,150	47,740
<i>less</i> Refunds	25,600	26,240	26,430	28,580	30,500
Total individuals and other withholding taxation	151,230	163,050	178,800	191,430	203,890
Fringe benefits tax	3,540	3,900	4,390	4,760	4,960
Company tax	67,950	75,032	77,901	81,902	85,932
Superannuation funds	7,390	8,250	9,220	11,035	12,995
Resource rent taxes(a)	1,840	7,410	8,350	7,400	8,240
Total income taxation revenue	231,950	257,642	278,661	296,527	316,017
<i>Indirect taxation</i>					
Sales taxes					
Goods and services tax	47,790	50,486	53,234	56,056	58,730
Wine equalisation tax	730	780	830	880	930
Luxury car tax	440	450	460	480	510
Total sales taxes	48,960	51,716	54,524	57,416	60,170
Excise duty					
Petrol	6,080	5,900	5,380	5,880	6,190
Diesel	8,200	8,700	9,200	9,300	9,500
Beer	1,960	2,035	2,183	2,265	2,383
Tobacco	5,790	5,850	5,190	5,220	5,360
Other excisable products	3,830	4,400	4,710	4,990	5,180
Of which: Other excisable beverages(b)	930	940	1,030	1,070	1,130
Total excise duty revenue	25,860	26,885	26,663	27,655	28,613
Customs duty					
Textiles, clothing and footwear	650	730	785	635	675
Passenger motor vehicles	850	940	1,020	1,090	1,160
Excise-like goods	4,210	4,370	5,310	5,420	5,610
Other imports	1,410	1,510	1,635	1,730	1,850
<i>less</i> Refunds and drawbacks	180	180	180	180	180
Total customs duty revenue	6,940	7,370	8,570	8,695	9,115
Carbon pricing mechanism(c)	-	7,690	8,685	9,275	9,400
Other indirect taxation					
Agricultural levies	437	440	436	443	449
Other taxes	2,307	2,883	3,188	3,267	3,396
Total other indirect taxation revenue	2,744	3,323	3,625	3,711	3,845
Mirror taxes	461	487	518	549	574
<i>less</i> Transfers to States in relation to mirror tax revenue	461	487	518	549	574
Mirror tax revenue	0	0	0	0	0
Total indirect taxation revenue	84,504	96,984	102,067	106,752	111,143
Total taxation revenue	316,454	354,626	380,727	403,278	427,160
<i>Memorandum:</i>					
<i>Capital gains tax</i>	6,700	10,200	12,900	14,700	16,200
<i>Medicare levy revenue</i>	9,090	9,640	10,250	10,890	11,410

(a) Resource rent taxes include the Petroleum Resource Rent Tax (PRRT) and gross revenue from the Minerals Resource Rent Tax (MRRT). The net revenue from the MRRT is \$3.0 billion in 2012-13, \$3.5 billion in 2013-14, \$3.2 billion in 2014-15 and \$3.7 billion in 2015-16, which represents the net impact on revenue across several different revenue heads. This includes the offsetting reductions in company tax (through deductibility) and interactions with other taxes.

(b) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(c) Tax revenue includes carbon accrual revenue measured at market price, with details of the accounting treatment of carbon revenue set out in Note 1 to the General Government Sector Financial Statements.

Note 3(a): Taxation revenue by source

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Taxes on income, profits and capital gains					
Income and capital gains levied on individuals	154,790	166,980	183,420	196,575	209,365
Income and capital gains levied on enterprises	77,160	90,662	95,241	99,952	106,652
Total taxes on income, profits and capital gains	231,950	257,642	278,661	296,527	316,017
Taxes on employers' payroll and labour force	461	485	503	523	543
Taxes on the provision of goods and services					
Sales/goods and services tax	48,960	51,716	54,524	57,416	60,170
Excises and levies	26,459	27,325	27,099	28,098	29,062
Taxes on international trade	6,940	7,370	8,570	8,695	9,115
Total taxes on the provision of goods and services	82,359	86,411	90,193	94,209	98,347
Other sale of goods and services	1,684	10,088	11,370	12,019	12,253
Total taxation revenue	316,454	354,626	380,727	403,278	427,160
<i>Memorandum:</i>					
<i>Medicare levy revenue</i>	<i>9,090</i>	<i>9,640</i>	<i>10,250</i>	<i>10,890</i>	<i>11,410</i>

Note 4: Sales of goods and services revenue

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Sales of goods	1,281	1,523	1,659	1,706	1,728
Rendering of services	4,113	3,914	3,798	3,489	3,447
Operating lease rental	44	45	45	45	44
Fees from regulatory services	2,818	2,783	3,139	3,215	3,568
Total sales of goods and services revenue	8,256	8,264	8,641	8,455	8,788

Note 5: Interest and dividend revenue

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Interest from other governments					
State and Territory debt	10	12	17	19	17
Housing agreements	165	160	155	150	144
Total interest from other governments	176	173	173	168	162
Interest from other sources					
Advances	41	43	47	51	57
Deposits	101	96	99	101	103
Bank deposits	221	206	197	198	205
Indexation of HELP receivable and other student loans	410	459	521	598	683
Other	3,754	4,135	4,172	4,071	4,283
Total interest from other sources	4,527	4,940	5,036	5,019	5,331
Total interest	4,703	5,113	5,209	5,187	5,493
Dividends					
Dividends from other public sector entities	374	1,126	446	476	415
Other dividends	1,295	1,359	1,521	1,662	1,781
Total dividends	1,669	2,485	1,966	2,137	2,197
Total interest and dividend revenue	6,372	7,598	7,175	7,324	7,690

Note 6: Other sources of non-taxation revenue

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Industry contributions	36	41	40	40	40
Royalties	1,654	1,799	1,696	1,667	1,673
Seigniorage	124	136	134	138	137
Other	3,521	3,607	3,783	3,928	4,072
Total other sources of non-taxation revenue	5,336	5,583	5,654	5,773	5,922

Note 7: Employee and superannuation expense

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Wages and salaries expenses	18,814	19,110	18,946	19,213	20,026
Other operating expenses					
Leave and other entitlements	2,508	2,254	2,286	2,311	2,345
Separations and redundancies	110	37	37	40	38
Workers compensation premiums and claims	712	744	784	831	884
Other	2,420	2,023	2,125	2,221	2,318
Total other operating expenses	5,750	5,057	5,232	5,403	5,585
Superannuation expenses					
Superannuation	4,316	3,968	4,047	4,113	4,169
Superannuation interest cost	7,358	8,015	8,295	8,587	8,908
Total superannuation expenses	11,674	11,983	12,342	12,700	13,077
Total employee and superannuation expense	36,238	36,150	36,520	37,316	38,689

Note 8: Depreciation and amortisation expense

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Depreciation					
Specialist military equipment	2,704	2,762	2,806	2,811	2,829
Buildings	1,230	1,273	1,314	1,365	1,408
Other infrastructure, plant and equipment	1,245	1,296	1,346	1,357	1,374
Heritage and cultural assets	38	39	39	39	39
Total depreciation	5,217	5,370	5,505	5,572	5,651
Total amortisation	786	819	817	821	817
Total depreciation and amortisation expense	6,003	6,188	6,322	6,393	6,468

Note 9: Supply of goods and services expense

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Supply of goods and services	21,193	21,447	21,747	22,170	22,407
Operating lease rental expenses	2,711	2,686	2,805	2,836	2,901
Personal benefits – indirect	39,424	40,094	42,557	45,748	50,310
Health care payments	5,291	5,400	5,500	5,623	5,781
Other	1,364	1,493	1,552	1,946	2,349
Total supply of goods and services expense	69,984	71,120	74,160	78,322	83,748

Note 10: Interest expense

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Interest on debt					
Government securities(a)	11,510	12,017	12,013	11,635	11,416
Loans	15	10	10	10	8
Other	44	33	29	27	26
Total interest on debt	11,569	12,060	12,052	11,672	11,450
Other financing costs	1,440	1,528	1,909	2,059	2,152
Total interest expense	13,009	13,587	13,962	13,731	13,602

(a) Public debt interest estimates are calculated using the contract interest rates incurred on existing Commonwealth Government Securities (CGS) when issued and technical assumptions, based on prevailing market interest rates across the yield curve, for yields on future CGS issuance.

Note 11: Current and capital grants expense

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Current grants expense					
State and Territory governments	83,810	84,523	89,115	93,946	99,646
Local governments	37	39	28	8	3
Private sector	2,584	2,211	2,586	3,041	2,953
Overseas	4,075	4,468	5,190	5,625	6,240
Non-profit organisations	2,058	1,787	1,847	1,793	2,111
Multi-jurisdictional sector	9,208	9,587	9,959	10,369	10,801
Other	8,914	10,105	11,759	14,347	12,418
Total current grants expense	110,686	112,720	120,484	129,129	134,172
Capital grants expense					
Mutually agreed write-downs	2,139	2,266	2,407	2,589	2,766
Other capital grants					
State and Territory governments	11,723	5,419	6,853	4,523	4,488
Local governments	587	389	422	342	349
Private sector	268	0	0	0	0
Multi-jurisdictional sector	93	97	101	105	109
Other	369	418	487	595	515
Total capital grants expense	15,179	8,589	10,271	8,153	8,227
Total grants expense	125,865	121,309	130,754	137,282	142,400

Note 12: Personal benefits expense

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Social welfare - assistance to the aged	35,647	37,475	39,761	42,425	45,542
Assistance to veterans and dependants	6,380	6,177	6,159	6,068	5,986
Assistance to people with disabilities	20,353	21,253	22,508	24,045	25,663
Assistance to families with children	33,604	33,375	34,595	35,800	36,676
Assistance to the unemployed	7,449	8,783	9,795	8,994	9,727
Student assistance	3,408	3,198	3,174	3,259	3,293
Other welfare programmes	783	1,512	1,547	1,533	1,558
Financial and fiscal affairs	303	319	331	344	357
Vocational and industry training	243	274	276	271	267
Other	4,282	2,609	3,796	5,725	9,377
Total personal benefits expense	112,450	114,975	121,943	128,464	138,447

Note 13: Operating result and comprehensive result (total change in net worth)

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Opening net worth	-95,386	-141,769	-137,778	-132,798	-123,609
Opening net worth adjustments(a)	16,441	0	0	0	0
Adjusted opening net worth	-78,945	-141,769	-137,778	-132,798	-123,609
Net operating balance	-37,253	-202	3,694	8,381	10,516
Other economic flows – included in operating result					
Foreign exchange gains	70	1	11	67	58
Gains from sale of assets	146	4,744	285	152	1,495
Other gains	-14,875	6,711	6,454	6,188	6,134
Swap interest revenue	404	0	0	0	0
Net write-down and impairment of assets and fair value losses	-4,822	-5,358	-5,735	-6,114	-6,605
Foreign exchange losses	0	-17	0	0	0
Losses from sale of assets	14	8	14	5	5
Swap interest expense	-338	0	0	0	0
Total other economic flows	-19,400	6,089	1,029	298	1,087
Operating result(b)	-56,653	5,887	4,723	8,679	11,603
Other economic flows – other movements in equity(c)	-6,170	-1,896	257	510	236
Comprehensive result	-62,823	3,991	4,980	9,189	11,839

(a) Reflects a decrease in the superannuation liability mainly due to a difference in the estimated and actual discount rate. Refer to Note 18 for further details.

(b) Operating result under AEIFRS accounting standards.

(c) Other economic flows not included in the AEIFRS accounting standards operating result.

Note 14: Advances paid and other receivables

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Advances paid					
Loans to State and Territory governments	2,899	2,974	2,944	2,862	2,751
Higher Education Loan Program	17,567	20,262	23,388	26,836	30,565
Student Financial Supplement Scheme	656	598	533	464	391
Other	8,626	9,248	10,910	12,342	13,414
/less Provision for doubtful debts	38	38	39	39	39
Total advances paid	29,711	33,044	37,736	42,466	47,083
Other receivables					
Goods and services receivable	942	946	915	904	903
Recoveries of benefit payments	2,880	2,900	2,875	2,903	2,981
Taxes receivable	18,391	22,195	24,036	25,853	25,617
Other	17,175	17,195	16,925	17,558	18,293
/less Provision for doubtful debts	3,357	3,463	3,591	3,718	3,846
Total other receivables	36,031	39,772	41,159	43,501	43,948

Note 15: Investments, loans and placements

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Investments - deposits	28,572	30,670	29,024	25,469	23,295
IMF quota	4,050	8,821	8,821	8,907	8,994
Other	67,341	68,306	70,345	73,746	77,161
Total investments, loans and placements	99,962	107,796	108,190	108,122	109,450

Note 16: Total non-financial assets

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Land and buildings					
Land	8,609	8,558	8,495	8,524	8,517
Buildings	22,947	23,188	23,128	23,050	23,669
Total land and buildings	31,556	31,746	31,623	31,573	32,186
Plant, equipment and infrastructure					
Specialist military equipment	39,955	39,880	39,827	40,423	42,652
Other	12,408	13,132	13,477	13,293	12,919
Total plant, equipment and infrastructure	52,363	53,011	53,304	53,716	55,572
Inventories					
Inventories held for sale	1,095	1,130	1,109	1,051	1,050
Inventories not held for sale	5,973	5,965	5,930	5,896	5,844
Total inventories	7,069	7,095	7,039	6,947	6,894
Intangibles					
Computer software	3,242	3,277	3,126	2,931	2,677
Other	2,104	2,251	2,376	2,705	3,100
Total intangibles	5,347	5,528	5,502	5,636	5,777
Total investment properties	314	660	682	682	682
Total biological assets	36	36	36	36	36
Total heritage and cultural assets	9,567	9,581	9,593	9,605	9,617
Total assets held for sale	146	146	146	146	146
Other non-financial assets					
Prepayments	2,448	2,443	2,465	2,495	2,555
Other	683	617	1,075	1,409	546
Total other non-financial assets	3,131	3,061	3,540	3,904	3,100
Total non-financial assets	109,528	110,864	111,465	112,245	114,010

Note 17: Loans

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Promissory notes	3,229	6,481	6,021	6,045	6,017
Special drawing rights	3,739	3,637	3,637	3,678	3,718
Other	796	761	694	645	463
Total loans	7,764	10,880	10,352	10,368	10,199

Note 18: Employee and superannuation liabilities

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Total superannuation liability(a)	138,515	143,667	148,922	154,274	159,711
Other employee liabilities					
Leave and other entitlements	6,926	6,991	7,116	7,264	7,405
Accrued salaries and wages	423	414	434	458	387
Workers compensation claims	2,394	2,487	2,581	2,672	2,680
Separations and redundancies	40	33	33	32	32
Other	2,841	2,970	3,100	3,110	3,114
Total other employee liabilities	12,623	12,896	13,265	13,536	13,618
Total employee and superannuation liabilities	151,137	156,562	162,187	167,810	173,330

(a) For budget reporting purposes, a discount rate applied by actuaries in preparing Long-Term Cost Reports is used to value the superannuation liability. This reduces the volatility in reported liabilities that would occur from year to year if the long-term government bond rate were used. Consistent with AAS, the long-term government bond rate as at 30 June is used to calculate the superannuation liability for the purpose of actuals reporting.

Note 19: Provisions and payables

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Suppliers payable					
Trade creditors	4,182	4,125	4,211	4,256	4,277
Operating lease rental payable	195	205	206	207	206
Other creditors	230	224	222	224	223
Total suppliers payable	4,607	4,555	4,639	4,687	4,706
Total personal benefits provisions and payable	12,436	13,929	14,222	14,666	15,251
Total subsidies provisions and payable	2,318	3,289	3,516	3,629	3,330
Grants provisions and payable					
State and Territory governments	169	173	169	169	169
Non-profit organisations	101	101	101	101	101
Private sector	318	316	313	305	305
Overseas	1,016	1,328	1,585	1,231	842
Local governments	14	14	14	14	14
Other	9,320	9,315	7,815	6,969	7,222
Total grants provisions and payable	10,938	11,248	9,996	8,789	8,654
Other provisions and payables					
Provisions for tax refunds	2,240	2,249	2,311	2,310	2,309
Other	9,268	8,933	9,425	10,366	10,656
Total other provisions and payables	11,508	11,182	11,736	12,676	12,966

Note 20: Reconciliation of cash

	Estimates			Projections	
	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
Operating balance (revenues less expenses)	-37,253	-202	3,694	8,381	10,516
<i>less</i> Revenues not providing cash					
Other	971	1,108	1,259	1,461	1,679
Total revenues not providing cash	971	1,108	1,259	1,461	1,679
<i>plus</i> Expenses not requiring cash					
Increase/(decrease) in employee entitlements	5,611	5,483	5,693	5,731	5,668
Depreciation/amortisation expense	6,003	6,188	6,322	6,393	6,468
Mutually agreed write-downs	2,139	2,266	2,407	2,589	2,766
Other	921	730	1,251	1,662	1,761
Total expenses not requiring cash	14,674	14,667	15,673	16,376	16,663
<i>plus</i> Cash provided/(used) by working capital items					
Decrease/(increase) in inventories	-460	-268	-199	-177	-270
Decrease/(increase) in receivables	-4,205	-8,061	-6,621	-7,429	-5,794
Decrease/(increase) in other financial assets	73	642	1,534	1,007	837
Decrease/(increase) in other non-financial assets	-412	35	14	8	-12
Increase/(decrease) in benefits, subsidies and grants payable	-2,981	2,937	-523	-411	399
Increase/(decrease) in suppliers' liabilities	1,138	-2	120	53	-25
Increase/(decrease) in other provisions and payables	-553	-1,018	-178	-192	-2,404
Net cash provided/(used) by working capital	-7,400	-5,735	-5,854	-7,140	-7,269
<i>equals</i> (Net cash from/(to) operating activities)	-30,950	7,622	12,254	16,156	18,231
<i>plus</i> (Net cash from/(to) investing activities)	-16,303	-17,911	-20,151	-17,298	-18,292
Net cash from operating activities and investment	-47,252	-10,288	-7,897	-1,142	-61
<i>plus</i> (Net cash from/(to) financing activities)	47,245	10,043	8,179	1,169	329
Net increase/(decrease) in cash	-7	-246	282	27	268
Cash at the beginning of the year	2,477	2,470	2,224	2,506	2,532
Net increase/(decrease) in cash	-7	-246	282	27	268
Cash at the end of the year	2,470	2,224	2,506	2,532	2,801

Note 20(a): Consolidated Revenue Fund

	Estimates			Projections	
	2011-12	2012-13	2013-14	2014-15	2015-16
	\$m	\$m	\$m	\$m	\$m
Total general government sector cash	2,470	2,224	2,506	2,532	2,801
<i>less</i> CAC Agency cash balances	1,550	1,594	1,701	1,809	1,923
<i>plus</i> Special public monies	382	382	382	382	382
Balance of Consolidated Revenue Fund at 30 June	1,302	1,012	1,187	1,105	1,260

The estimated and projected cash balances reflected in the balance sheet for the Australian Government GGS (Table 2) include the reported cash balances controlled and administered by Australian Government agencies subject to the *Financial Management and Accountability Act 1997*, and the reported cash balances controlled and administered by entities subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act), that implement public policy through the provision of primarily non-market services.

Revenues or monies raised by the Executive Government automatically form part of the Consolidated Revenue Fund by force of section 81 of the Australian Constitution. For practical purposes, total Australian Government GGS cash, less cash controlled and administered by CAC Act entities, plus special public monies, represents the Consolidated Revenue Fund referred to in section 81 of the Australian Constitution. On this basis, the balance of the Consolidated Revenue Fund is shown above.

Further information on the Consolidated Revenue Fund is included in Budget Paper No. 4, *Agency Resourcing 2012-13*.

APPENDIX A: FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The *Charter of Budget Honesty Act 1998* (the Charter) requires the budget to be based on external reporting standards. The Government has produced budget financial statements that comply with both ABS GFS and AAS, meeting the requirement of the Charter, with departures disclosed. The statements reflect the Government's accounting policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

AASB 1049 and the UPF also provide a basis for reporting of the PNFC and PFC sectors and the total NFPS.

General Government Sector Financial Reporting (AASB 1049)

The budget primarily focuses on the financial performance and position of the GGS. The ABS defines the GGS as providing public services which are mainly non-market in nature, mainly for the collective consumption of the community, involving the transfer or redistribution of income and financed mainly through taxes and other compulsory levies. AASB 1049 recognises the GGS as a reporting entity.

AASB 1049 history and conceptual framework

The AASB released AASB 1049 for application from the 2008-09 financial year. AASB 1049 seeks to 'harmonise' ABS GFS and AAS.

The reporting framework for AASB 1049 requires the preparation of accrual-based general purpose financial reports, showing government assets, liabilities, revenue, expenses and cash flows. GGS reporting under AASB 1049 aims to provide users with information about the stewardship of each government in relation to its GGS and accountability for the resources entrusted to it; information about the financial position, performance and cash flows of each government's GGS; and information that facilitates assessments of the macroeconomic impact. While AASB 1049 provides a basis for whole-of-government and GGS outcome reporting (including the PNFC and PFC sectors), budget reporting focuses on the GGS.

There are three main general purpose statements that must be prepared in accordance with ABS GFS and AASB 1049. These are:

- an operating statement, including other economic flows, which shows net operating balance and net lending/borrowing (fiscal balance);
 - to allow the presentation of a single set of financial statements in accordance with AASB 1049, the ABS GFS statement of other economic flows has been incorporated into the operating statement;

- a balance sheet, which also shows net worth, net financial worth, net financial liabilities and net debt; and
- a cash flow statement, which includes the calculation of the underlying cash balance.

In addition to these general purpose statements, notes to the financial statements are required. These notes include a summary of accounting policies, disaggregated information and other disclosures required by AAS. A full set of notes and other disclosures required by AAS are included in the annual consolidated financial statements.

All financial data presented in the financial statements are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or other economic flows). Transactions result from a mutually agreed interaction between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets less liabilities) are reported as revenues and expenses respectively in the operating statement.¹

A change to the value or volume of an asset or liability that does not result from a transaction is an other economic flow. This can include changes in values from market prices, most actuarial valuations, exchange rates and changes in volumes from discoveries, depletion and destruction. All other economic flows are reported in the operating statement.

Consistent with the ABS GFS framework, and in general AAS, the financial statements record flows in the period in which they occur. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods and can be reliably assigned to the relevant period(s).

Operating statement

The operating statement presents details of transactions in revenues, expenses, the net acquisition of non-financial assets (net capital investment) and other economic flows for an accounting period.

Revenues arise from transactions that increase net worth and expenses arise from transactions that decrease net worth. Revenues less expenses gives the net operating balance. The net operating balance is similar to the National Accounts concept of government saving plus capital transfers.

1 Not all transactions impact on net worth. For example, transactions in financial assets and liabilities do not impact on net worth as they represent the swapping of assets and liabilities on the balance sheet.

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The net acquisition of non-financial assets (net capital investment) measures the change in the Australian Government's stock of non-financial assets owing to transactions. As such, it measures the net effect of purchases, sales and consumption (for example, depreciation of fixed assets and use of inventory) of non-financial assets during an accounting period.

Net acquisition of non-financial assets equals gross fixed capital formation, less depreciation, plus changes (investment) in inventories, plus other transactions in non-financial assets.

Other economic flows are presented in the operating statement and outline changes in net worth that are driven by economic flows other than revenues and expenses. Revenues, expenses and other economic flows sum to the total change in net worth during a period. The majority of other economic flows for the Australian Government GGS arise from price movements in its assets and liabilities.

Fiscal balance

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. Thus, the fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.²

The fiscal balance measures the Australian Government's investment-saving balance. It measures in accrual terms the gap between government savings plus net capital transfers, and investment in non-financial assets. As such, it approximates the contribution of the Australian Government GGS to the balance on the current account in the balance of payments.

Balance sheet

The balance sheet shows stocks of assets, liabilities and net worth. In accordance with the UPF, net debt, net financial worth and net financial liabilities are also reported in the balance sheet.

Net worth

The net worth of the GGS, PNFC and PFC sectors is defined as assets less liabilities. This differs from the ABS GFS definition for the PNFC and PFC sectors where net worth is defined as assets less liabilities less shares and other contributed capital. Net worth is an economic measure of wealth, reflecting the Australian Government's contribution to the wealth of Australia.

2 The net operating balance includes consumption of non-financial assets because depreciation is an expense. Depreciation also forms part of net capital investment, which (in the calculation of fiscal balance) offsets the inclusion of depreciation in the net operating balance.

Net financial worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities. This differs from the ABS GFS definition of net financial worth for the PNFC and PFC sectors, defined as financial assets, less liabilities, less shares, less other contributed capital. Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as holdings of equity. Net financial worth includes all classes of financial assets and all liabilities, only some of which are included in net debt. As non-financial assets are excluded from net financial worth, this is a narrower measure than net worth. However, it avoids the concerns inherent with the net worth measure relating to the valuation of non-financial assets and their availability to offset liabilities.

Net financial liabilities

Net financial liabilities comprises total liabilities less financial assets but excludes equity investments in the other sectors of the jurisdiction. Net financial liabilities is a more accurate indicator than net debt of a jurisdiction's fiscal position as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors of government results in a purer measure of financial worth than net financial worth as, in general, the net worth of other sectors of government, in particular the PNFC sector, is backed up by physical assets.

Net debt

Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans and other borrowing) less the sum of selected financial assets³ (cash and deposits, advances paid, and investments, loans and placements). This includes financial assets held by the Future Fund which are invested in these asset classes, including term deposits and investments in collective investment vehicles. Net debt does not include superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

Cash flow statement

The cash flow statement identifies how cash is generated and applied in a single accounting period. The cash flow statement reflects a cash basis of recording (rather than an accrual basis) where information is derived indirectly from underlying accrual transactions and movements in balances. This, in effect, means that transactions are

3 Financial assets are defined as cash, an equity instrument of another entity, a contractual right to receive cash or financial asset, and a contract that will or may be settled in the entity's own equity instruments.

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captured when cash is received or when cash payments are made. Cash transactions are specifically identified because cash management is considered an integral function of accrual budgeting.

Underlying cash balance

The underlying cash balance plus Future Fund earnings (ABS GFS cash surplus/deficit) is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance. This measure is conceptually equivalent under the current accrual framework and the previous cash framework. For the GGS, the underlying cash balance is calculated as shown below:

Net cash flows from operating activities
<i>plus</i>
Net cash flows from investments in non-financial assets
<i>less</i>
Net acquisitions of assets acquired under finance leases and similar arrangements ⁴
<i>equals</i>
ABS GFS cash surplus/deficit
<i>less</i>
Future Fund earnings
<i>equals</i>
Underlying cash balance

The Government is reporting the underlying cash balance net of Future Fund earnings from 2005-06 onwards because the earnings will be reinvested to meet future superannuation payments and are therefore not available for current spending. However, Future Fund earnings are included in the fiscal balance because superannuation expenses relating to future cash payments are recorded in the fiscal balance estimates.

From 2020, the Future Fund becomes available to meet the Government's superannuation liabilities. At this time earnings will be available to meet the Government's recurrent superannuation spending, and so these will be included in the underlying cash balance.

The Government has decided to review the budget treatment of the Future Fund. In this Budget there has been no change to the current treatment of Future Fund earnings.

4 The underlying cash balance treats the acquisition and disposal of non-financial assets in the same manner regardless of whether they occur by purchase/sale or finance lease – acquisitions reduce the underlying cash balance and disposals increase the underlying cash balance. However, finance leases do not generate cash flows at the time of acquisition or disposal equivalent to the value of the asset. As such, net acquisitions of assets under finance leases are not shown in the body of the cash flow statement but are reported as a supplementary item for the calculation of the underlying cash balance.

In the second half of 2012 the Department of Finance and Deregulation and the Department of the Treasury plan to consult on the issues outlined in Box 1 below. Following further consideration of the issues raised, the Government will consider the future treatment of Future Fund costs in the *Mid-Year Economic and Fiscal Outlook 2012-13*.

Box 1: Future Fund earnings and costs and the underlying cash balance

The Commonwealth budget currently treats Future Fund payments and earnings (receipts) differently in the calculation of the underlying cash balance.

Since 2005-06, the underlying cash balance of the Commonwealth's budget has excluded the gross earnings (receipts) of the Future Fund. This was a decision of the previous government taken when the Future Fund was created.

The earnings of the Fund were excluded because they are not available as a source to fund current spending. Under the *Future Fund Act 2006*, all earnings are required to be reinvested to meet the Government's future public sector superannuation liabilities.

In contrast, the costs incurred to run the Future Fund are treated as a payment for the purpose of calculating the underlying cash balance. While *gross* earnings are deducted from the calculation of the underlying cash balance, only *net* earnings are available for reinvestment by the Fund. This is because the Fund is required under the *Future Fund Act 2006* to meet all operating costs from its earnings.

This means that the gross earnings of the Fund are not included in the underlying cash balance, whereas the Fund's costs are included. Excluding net rather than gross earnings would better reflect the operations of the Future Fund.

Expected Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table 3 of this statement and related tables in Statement 3 and Statement 10.

Headline cash balance

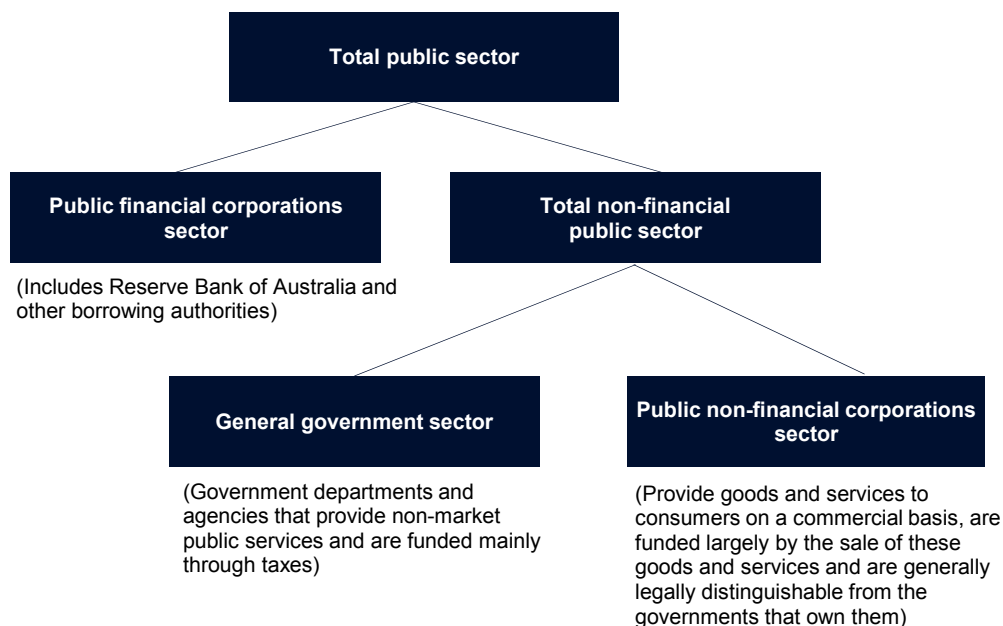
The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and Future Fund earnings to the underlying cash balance.

Cash flows from investments in financial assets for policy purposes include equity transactions and net advances.⁵ Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the States, net loans to students under the Higher Education Loan Program, and contributions to international organisations that increase the Australian Government's financial assets.

Sectoral classifications

To assist in analysing the public sector, data is presented by institutional sector as shown in Figure 1. ABS GFS defines the GGS and the PNFC and PFC sectors. AASB 1049 has also adopted this sectoral reporting.

Figure 1: Institutional structure of the public sector



5 Cash flows from investments in financial assets for policy purposes were called net advances under the cash budgeting framework.

Table A1: Entities within the sectoral classifications**General government sector entities****Agriculture, Fisheries and Forestry Portfolio**

Australian Fisheries Management Authority, Australian Pesticides and Veterinary Medicines Authority, Cotton Research and Development Corporation, Department of Agriculture, Fisheries and Forestry, Fisheries Research and Development Corporation, Grains Research and Development Corporation, Grape and Wine Research and Development Corporation, Rural Industries Research and Development Corporation, Sugar Research and Development Corporation, Wheat Exports Australia, Wine Australia Corporation

Attorney-General's Portfolio

Administrative Appeals Tribunal, Attorney-General's Department, Australian Commission for Law Enforcement Integrity, Australian Crime Commission, Australian Customs and Border Protection Service, Australian Federal Police, Australian Human Rights Commission, Australian Institute of Criminology, Australian Law Reform Commission, Australian Security Intelligence Organisation, Australian Transaction Reports and Analysis Centre, CrimTrac Agency, Family Court of Australia, Federal Court of Australia, Federal Magistrates Court of Australia, High Court of Australia, Insolvency and Trustee Service Australia, National Native Title Tribunal, Office of the Australian Information Commissioner, Office of the Director of Public Prosecutions, Office of Parliamentary Counsel

Broadband, Communications and the Digital Economy Portfolio

Australian Broadcasting Corporation, Australian Communications and Media Authority, Department of Broadband, Communications and the Digital Economy, Special Broadcasting Service Corporation, Telecommunications Universal Service Management Agency

Climate Change and Energy Efficiency Portfolio

Clean Energy Regulator, Climate Change Authority, Department of Climate Change and Energy Efficiency, Low Carbon Australia Limited

Defence Portfolio

AAF Company, Army and Air Force Canteen Service, Australian Military Forces Relief Trust Fund, Australian Strategic Policy Institute Limited, Australian War Memorial, Defence Housing Australia, Defence Materiel Organisation, Department of Defence, Department of Veterans' Affairs, RAAF Welfare Recreational Company, Royal Australian Air Force Veterans' Residences Trust Fund, Royal Australian Air Force Welfare Trust Fund, Royal Australian Navy Central Canteens Board, Royal Australian Navy Relief Trust Fund

Table A1: Entities within the sectoral classifications (continued)

General government sector entities (continued)

Education, Employment and Workplace Relations Portfolio

Australian Curriculum, Assessment and Reporting Authority, Australian Institute for Teaching and School Leadership Limited, Comcare, Department of Education, Employment and Workplace Relations, Fair Work Australia, Office of the Australian Building and Construction Commissioner, Office of the Fair Work Building Industry Inspectorate, Office of the Fair Work Ombudsman, Safe Work Australia, Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority)

Families, Housing, Community Services and Indigenous Affairs Portfolio

Aboriginal Hostels Limited, Anindilyakwa Land Council, Australian Institute of Family Studies, Central Land Council, Department of Families, Housing, Community Services and Indigenous Affairs, Equal Opportunity for Women in the Workplace Agency, Indigenous Business Australia, Indigenous Land Corporation, Northern Land Council, Outback Stores Pty Ltd, Tiwi Land Council, Torres Strait Regional Authority, Wreck Bay Aboriginal Community Council

Finance and Deregulation Portfolio

Australian Electoral Commission, Commonwealth Superannuation Corporation, ComSuper, Department of Finance and Deregulation, Future Fund Management Agency

Foreign Affairs and Trade Portfolio

AusAID, Australian Centre for International Agricultural Research, Australian Secret Intelligence Service, Australian Trade Commission, Department of Foreign Affairs and Trade, Export Finance and Insurance Corporation National Interest Account

Health and Ageing Portfolio

Aged Care Standards and Accreditation Agency Ltd, Australian Commission on Safety and Quality in Health Care, Australian Institute of Health and Welfare, Australian National Preventative Health Agency, Australian Organ and Tissue Donation and Transplantation Authority, Australian Radiation Protection and Nuclear Safety Agency, Cancer Australia, Department of Health and Ageing, Food Standards Australia New Zealand, General Practice Education and Training Limited, Health Workforce Australia, Independent Hospital Pricing Authority, National Blood Authority, National Health and Medical Research Council, National Health Performance Authority, Private Health Insurance Administration Council, Private Health Insurance Ombudsman, Professional Services Review

Table A1: Entities within the sectoral classifications (continued)

General government sector entities (continued)
<p>Human Services Portfolio</p> <p>Department of Human Services</p>
<p>Immigration and Citizenship Portfolio</p> <p>Department of Immigration and Citizenship, Migration Review Tribunal and Refugee Review Tribunal</p>
<p>Industry, Innovation, Science, Research and Tertiary Education Portfolio</p> <p>Australian Institute of Aboriginal and Torres Strait Islander Studies, Australian Institute of Marine Science, Australian Learning and Teaching Council Limited, Australian Nuclear Science and Technology Organisation, Australian Research Council, Commonwealth Scientific and Industrial Research Organisation, Department of Industry, Innovation, Science, Research and Tertiary Education, IIF Investments Pty Limited, IP Australia, Australian Skills Quality Authority (National Vocational Education and Training Regulator), Tertiary Education Quality and Standards Agency</p>
<p>Infrastructure and Transport Portfolio</p> <p>Australian Maritime Safety Authority, Australian Transport Safety Bureau, Civil Aviation Safety Authority, Department of Infrastructure and Transport, National Transport Commission</p>
<p>Prime Minister and Cabinet Portfolio</p> <p>Australian National Audit Office, Australian Public Service Commission, Department of the Prime Minister and Cabinet, National Australia Day Council Limited, National Mental Health Commission, Office of the Commonwealth Ombudsman, Office of the Inspector-General of Intelligence and Security, Office of National Assessments, Office of the Official Secretary to the Governor-General</p>
<p>Regional Australia, Local Government, Arts and Sport Portfolio</p> <p>Australia Business Arts Foundation Ltd, Australia Council, Australian Film, Television and Radio School, Australian National Maritime Museum, Australian Sports Anti-Doping Authority, Australian Sports Commission, Australian Sports Foundation Limited, Bundanon Trust, Department of Regional Australia, Local Government, Arts and Sport, National Archives of Australia, National Capital Authority, National Film and Sound Archive, National Gallery of Australia, National Library of Australia, National Museum of Australia, Old Parliament House, Screen Australia</p>

Table A1: Entities within the sectoral classifications (continued)

General government sector entities (continued)
<p>Resources, Energy and Tourism Portfolio</p> <p>Australian Renewable Energy Agency, Australian Solar Institute Limited, Department of Resources, Energy and Tourism, Geoscience Australia, National Offshore Petroleum Safety and Environmental Management Authority, Tourism Australia</p>
<p>Sustainability, Environment, Water, Population and Communities Portfolio</p> <p>Bureau of Meteorology, Department of Sustainability, Environment, Water, Population and Communities, Director of National Parks, Great Barrier Reef Marine Park Authority, Murray-Darling Basin Authority, National Water Commission, Sydney Harbour Federation Trust</p>
<p>Treasury Portfolio</p> <p>Australian Bureau of Statistics, Australian Competition and Consumer Commission, Australian Office of Financial Management, Australian Prudential Regulation Authority, Australian Securities and Investments Commission, Australian Taxation Office, Clean Energy Finance Corporation, Commonwealth Grants Commission, Corporations and Markets Advisory Committee, Department of the Treasury, Inspector-General of Taxation, National Competition Council, Office of the Auditing and Assurance Standards Board, Office of the Australian Accounting Standards Board, Productivity Commission, Royal Australian Mint</p>
<p>Parliamentary Departments</p> <p>Department of Parliamentary Services, Department of the House of Representatives, Department of the Senate, Parliamentary Budget Office</p>
Public financial corporations
<p>Education, Employment and Workplace Relations Portfolio</p> <p>Coal Mining Industry (Long Service Leave Funding) Corporation</p>
<p>Finance and Deregulation Portfolio</p> <p>Medibank Private Ltd</p>
<p>Foreign Affairs and Trade Portfolio</p> <p>Export Finance and Insurance Corporation</p>
<p>Treasury Portfolio</p> <p>Australia Reinsurance Pool Corporation, Reserve Bank of Australia</p>

Table A1: Entities within the sectoral classifications (continued)

Public non-financial corporations
Attorney General's Portfolio
Australian Government Solicitor
Broadband, Communications and the Digital Economy Portfolio
Australian Postal Corporation, NBN Co Ltd
Families, Housing, Community Services and Indigenous Affairs Portfolio
Voyages Indigenous Tourism Australia Pty Ltd
Finance and Deregulation Portfolio
Albury-Wodonga Development Corporation, Australian River Co. Ltd, ASC Pty Ltd
Human Services Portfolio
Australian Hearing Services
Infrastructure and Transport Portfolio
Airservices Australia, Australian Rail Track Corporation Ltd

Differences between ABS GFS and AAS framework (including AASB 1049)

AASB 1049 has adopted the AAS conceptual framework and principles for the recognition of assets, liabilities, revenues and expenses and their presentation, measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, over-riding AASB 127 *Consolidated and Separate Financial Statements*. AASB 1049 also follows ABS GFS by requiring changes in net worth to be split into either transactions or 'other economic flows' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2001*.⁶

Some of the major differences between AAS and the ABS GFS treatments of transactions are outlined in Table A2. Further information on the differences between the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

⁶ Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

Table A2: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Acquisition of defence weapons platforms (DWP)	Treated as capital expenditure. DWP appear as a non-financial asset on the balance sheet. Depreciation expense on assets is recorded in the operating statement. AASB 1049 requires cost to be used where fair value of the assets cannot be reliably measured.	ABS has updated its treatment in its GFS reports to record DWP as a non-financial asset on a market value basis. This represents an early adoption of changes to the System of National Accounts.	AAS
Circulating coins — seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coins (seigniorage) is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Provision for bad and doubtful debts	Reported in the balance sheet as an offset to assets. Under AASB 1049, it is included in the operating statement as other economic flows.	Creating provisions is not considered an economic event and is therefore not considered to be an expense or reflected in the balance sheet.	AAS
Advances to the International Development Association and Asian Development Fund	Recorded at fair value in the balance sheet.	Recorded at nominal value in balance sheet.	ABS GFS
Concessional loans	Discounts concessional loans by a market rate of a similar instrument.	Does not discount concessional loans as no secondary market is considered to exist.	AAS
Investment in Other Public Sector Entities	Valued at fair value in the balance sheet as long as it can be reliably measured, otherwise net assets is permissible.	Unlisted entities valued based on their net assets in the balance sheet.	AAS
Provision for restoration, decommissioning and make-good	Included in the Fiscal Balance capital adjustment.	Excluded from the calculation of net lending capital adjustment.	AAS
Dividends paid by public corporations	Treated as an equity distribution. Equity distributions are treated as a distribution of profits, as opposed to an expense.	Dividends are treated as an expense.	ABS GFS

Statement 9: Budget financial statements

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Commercial tax effect accounting assets and liabilities	Corporations in the PNFC and PFC sectors record tax expenses on a commercial basis.	Deferred tax assets and liabilities are reversed so that Corporations record tax expenses on a consistent basis to the Australian Taxation Office.	ABS GFS
Fiscal aggregates differences			
Finance leases	Does not deduct finance leases in the derivation of the cash surplus/deficit.	Deducts finance leases in the derivation of the cash surplus/deficit.	Both are disclosed
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
Classification difference			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	AAS

APPENDIX B: AUSTRALIAN LOAN COUNCIL ALLOCATION

Under Loan Council arrangements, every year the Commonwealth and each State and Territory government nominate a Loan Council Allocation (LCA). A jurisdiction's LCA incorporates:

- the estimated non-financial public sector ABS GFS cash surplus/deficit (made up from the balances of the general government and public non-financial corporations sectors and total non-financial public sector acquisitions under finance leases and similar arrangements);
- net cash flows from investments in financial assets for policy purposes; and
- memorandum items, which involve transactions that are not formally borrowings but nevertheless have many of the characteristics of borrowings.

LCA nominations are considered by the Loan Council, having regard to each jurisdiction's fiscal position and infrastructure requirements, as well as the macroeconomic implications of the aggregate figure.

As set out in Table B1, the Commonwealth's 2012-13 LCA budget update is a \$13.6 billion deficit. This compares with its LCA nomination of a \$7.0 billion deficit endorsed by Loan Council on 4 April 2012. The LCA budget update falls within the tolerance limit set at nomination.

Table B1: Commonwealth's Loan Council Allocation budget update for 2012-13

	2012-13 Nomination	2012-13 Budget estimate
	\$m	\$m
	-4,490	-4,971
GGs cash surplus(-)/deficit(+)		
	948	5,137
PNFC sector cash surplus(-)/deficit(+)		
	-3,542	394
NFPS cash surplus(-)/deficit(+) ^(a)		
Acquisitions under finance leases and similar arrangements	404	412
<i>equals</i> ABS GFS cash surplus(-)/deficit(+)	-3,137	805
<i>minus</i> Net cash flows from investments		
in financial assets for policy purposes ^(b)	-10,867	-13,281
<i>plus</i> Memorandum items ^(c)	-761	-440
Loan Council Allocation	6,969	13,646

(a) May not directly equate to the sum of the GGS and the PNFC sector cash surplus/deficit due to intersectoral transfers which are netted out.

(b) Net cash flow from investments in financial assets for policy purposes are displayed with the same sign as they are reported in cash flow statements. Such transactions involve the transfer or exchange of a financial asset and are not included within the cash surplus/deficit. However, the cash flow from investments in financial assets for policy purposes has implications for a government's call on financial markets.

(c) For the Commonwealth's LCA, memorandum items include the change in net present value (NPV) of operating leases (with NPV greater than \$5 million), the overfunding of superannuation and the net financing requirement of the Australian National University.