Appendix B: AAS31 *Financial Reporting by Government* statements

This appendix presents financial statements that have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards, including *Australian Accounting Standard No. 31 Financial Reporting by Government*s (AAS31), except where departures from the standard are identified in Note 1.

Table B1: Statement of revenue and expenses for the Commonwealth general government sector — AAS31

	Note	2001-02 $m	2002-03 $m	2003-04 $m	2004-05 $m
		Estimates		Projections	
Revenues					
Taxation					
Income tax	3	118,885	125,105	134,075	142,600
Indirect tax	4	24,472	25,060	25,775	26,584
Fringe Benefits Tax		3,440	3,560	3,680	3,810
Other taxes		1,378	1,418	1,442	1,450
Total taxation revenue		**148,175**	**155,143**	**164,971**	**174,443**
Non-taxation					
Sales of goods and services		2,924	2,927	2,949	2,975
Interest and dividends	5	8,270	6,985	6,457	6,473
Net foreign exchange gains		0	0	0	0
Net gains from sales of assets		2,689	-18	10,102	9,989
Other sources of non-tax revenue	6	3,693	3,433	3,370	3,355
Total non-tax revenue		**17,575**	**13,326**	**22,878**	**22,792**
Total revenue		**165,750**	**168,469**	**187,849**	**197,235**
Expenses					
Goods and services					
Employees	7	18,377	17,864	18,273	18,532
Suppliers	8	13,863	13,142	13,176	13,510
Depreciation and amortisation	9	3,529	3,718	3,927	3,986
Net write down of assets		3,901	1,204	1,218	1,252
Net foreign exchange losses		111	3	0	0
Net losses from the sale of assets		4	2	2	0
Other goods and services expenses		5,759	6,006	6,368	6,690
Total goods and services		**45,542**	**41,939**	**42,963**	**43,970**
Subsidies benefits and grants					
Personal benefits		73,375	77,692	82,763	87,583
Subsidies		7,501	7,842	8,236	8,669
Grants	10	35,806	35,299	35,668	36,667
Total subsidies benefits and grants		**116,682**	**120,833**	**126,667**	**132,919**
Interest and other financing costs					
Interest		7,352	6,785	6,178	5,766
Other financing costs		36	25	20	19
Total interest and other financing costs		**7,388**	**6,810**	**6,198**	**5,784**
Total expenses		**169,613**	**169,582**	**175,829**	**182,674**
Operating result		**-3,862**	**-1,113**	**12,021**	**14,561**
Extraordinary items		0	0	0	0
Operating result after extraordinary items		**-3,862**	**-1,113**	**12,021**	**14,561**

Table B2: Balance sheet for the Commonwealth general government sector — AAS31

	Note	2001-02 $m	2002-03 $m	2003-04 $m	2004-05 $m
		Estimates		Projections	
Assets					
Financial assets					
Cash		1,099	557	175	152
Receivables		25,364	25,397	25,956	26,831
Investments	11	27,798	27,829	26,324	24,738
Accrued revenue		557	539	520	531
Other financial assets		16	28	28	28
Total financial assets		**54,834**	**54,350**	**53,003**	**52,280**
Non-financial assets	12				
Land and buildings		16,129	15,302	15,079	14,785
Infrastructure		42,298	43,422	44,563	45,802
Intangibles		1,316	1,325	1,279	1,271
Inventories		3,479	3,533	3,897	4,210
Other non-financial assets		1,394	1,266	1,229	1,205
Total non-financial assets		**64,616**	**64,849**	**66,047**	**67,273**
Total assets		**119,450**	**119,199**	**119,050**	**119,552**
Liabilities					
Debt					
Government securities	11	51,420	51,113	38,480	23,362
Loans		6,574	6,533	6,489	6,490
Leases		269	191	163	145
Deposits		293	293	293	293
Overdrafts		0	0	0	0
Other debt		4,173	3,529	2,586	2,349
Total debt		**62,729**	**61,660**	**48,012**	**32,639**
Provisions and payables					
Employees	13	87,254	88,940	90,474	91,755
Suppliers		2,020	1,837	1,696	1,563
Personal benefits payable		2,899	3,060	3,222	2,727
Subsidies payable		231	198	164	137
Grants payable	14	8,603	8,580	8,489	9,075
Other provisions and payables		5,984	6,153	6,085	6,132
Total provisions and payables		**106,992**	**108,768**	**110,130**	**111,389**
Total liabilities		**169,720**	**170,428**	**158,142**	**144,028**
Net assets	15	**-50,270**	**-51,229**	**-39,092**	**-24,476**
Equity					
Accumulated results		-84,497	-85,609	-71,938	-55,724
Reserves		34,227	34,380	32,846	31,248
Capital		0	0	0	0
Total equity		**-50,270**	**-51,229**	**-39,092**	**-24,476**

Table B3: Statement of cash flows for the Commonwealth general government sector — AAS31

	Note	2001-02 $m	2002-03 $m	2003-04 $m	2004-05 $m
		Estimates		Projections	
Operating activities					
Cash received					
Taxes	16	148,662	155,468	164,475	173,932
Sales of goods and services		2,919	3,028	3,079	3,054
Interest		3,378	3,517	3,426	3,769
Dividends		4,783	3,446	3,007	2,657
GST input credit receipts		1,842	1,848	1,836	1,837
Other		3,261	2,937	2,856	2,816
Total operating cash received		**164,844**	**170,244**	**178,679**	**188,066**
Cash used					
Payments to employees		16,289	16,178	16,739	17,251
Payments to suppliers		15,129	14,861	14,986	15,313
Subsidies paid		7,540	7,875	8,271	8,696
Personal benefits		72,990	77,534	82,624	88,117
Grant payments		35,467	35,322	35,759	36,081
Interest and other financing costs		7,272	6,643	6,250	5,731
GST payments to taxation authority		102	102	102	102
Other		5,596	5,997	6,397	6,696
Total operating cash used		**160,385**	**164,512**	**171,128**	**177,987**
Net cash from operating activities		**4,460**	**5,732**	**7,551**	**10,080**
Investing activities					
Cash received					
Proceeds from asset sales programme		3,336	32	11,737	11,737
Proceeds from sales of property, plant and equipment and intangibles		1,073	1,498	851	722
Net loans, advances and HECS		0	0	0	0
Other net investing cash received		143	12	0	0
Total investing cash received		**4,552**	**1,542**	**12,588**	**12,459**
Cash used					
Purchase of property, plant and equipment and intangibles		4,968	5,712	5,881	6,082
Net loans, advances and HECS		35	956	651	815
Other net investing cash paid	11	469	129	378	293
Total investing cash used		**5,472**	**6,797**	**6,910**	**7,189**
Net cash from investing activities		**-920**	**-5,255**	**5,678**	**5,270**
Financing activities					
Cash received					
Net cash received from currency issues		0	0	0	0
Other		0	0	0	0
Total financing cash received		**0**	**0**	**0**	**0**
Cash used					
Net repayments of borrowings	11	2,495	348	12,677	15,117
Other		1,050	671	934	256
Total financing cash used		**3,545**	**1,019**	**13,611**	**15,373**
Net cash from financing activities		**-3,545**	**-1,019**	**-13,611**	**-15,373**
Net increase/decrease in cash held		**-5**	**-542**	**-382**	**-23**

NOTES TO THE AAS31 FINANCIAL STATEMENTS

Note 1: External reporting standards

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

The financial statements included in this appendix have been prepared on an accrual basis in accordance with applicable Australian accounting standards, including *Australian Accounting Standard No. 31 'Financial Reporting by Governments'* (AAS31). AAS31 is the relevant accounting standard for financial reporting by governments.

AAS31 requires adoption of the full accrual basis of accounting. This means that assets, liabilities, revenues and expenses are recorded in financial statements when they have their economic impact on the government, rather than when the cash flow associated with these transactions occurs. Consistent with AAS31, an operating statement, a balance sheet and a statement of cash flows have been prepared using estimates for the budget year and the three forward years.

The accounting policies in this budget document are generally consistent with the accounting policies in AAS31. While the scope for financial reporting recommended in AAS31 is the Whole of Government (that is, the Commonwealth public sector), in accordance with the *Charter of Budget Honesty Act 1998,* the budget presentation of financial estimates covers the general government sector only.

In relation to taxation revenue, AAS31 suggests revenue be recognised at the time the income (or economic activity) giving rise to a tax liability occurs, where this can be measured *reliably*. At this stage, the Commonwealth does not consider its taxation revenues can be reliably measured on this basis for budget reporting purposes. Taxation revenue is therefore recognised at the time a taxpayer makes a self-assessment or when the Australian Taxation Office (ATO) or the Australian Customs Service (ACS) raises a tax assessment.

In regard to GST revenue, AAS31 and other relevant accounting standards would suggest the gross amount of GST be included in the Commonwealth's Financial Statements. However, the clear policy intent of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (IGA) is that the GST is a State tax collected by the Commonwealth in an agency capacity. Therefore, accrued GST revenues and associated payments to the States and Territories are not recorded in the MYEFO financial statements.

In addition, non-accounting standard classifications have been used in different sections of the budget. 'Outcomes' is a Commonwealth classification framework that indicates the results, impacts or consequences of agencies' activities. Functional classifications used in some tables are based on standards maintained by the ABS, but have been extended in some cases to provide greater detail.

Note 2: Reconciliation of cash

	2001-02 $m	2002-03 $m	2003-04 $m	2004-05 $m
	Estimates		Projections	
Operating result (revenues less expenses)	**-3,862**	**-1,113**	**12,021**	**14,561**
less **Revenues not providing cash**				
Foreign exchange gains	0	0	0	0
Gains from asset sales programme	2,536	-49	9,841	9,868
Gains from sale of assets	152	30	261	121
Other	290	222	239	259
Total revenues not providing cash	**2,979**	**203**	**10,341**	**10,248**
plus **Expenses not requiring cash**				
Increase/(Decrease) in employee entitlements	2,089	1,686	1,534	1,281
Depreciation/amortisation expense	3,529	3,718	3,927	3,986
Provision for bad and doubtful debts	314	323	321	317
Provision for diminution in value of assets	2,647	129	125	160
Losses from asset sales programme	0	0	0	0
Losses from sale of assets	4	2	1	0
Foreign exchange losses	111	3	0	0
Other	0	0	0	0
Total expenses not requiring cash	**8,692**	**5,860**	**5,909**	**5,744**
plus **Cash provided by working capital items**				
Decrease in inventories	272	298	156	161
Decrease in receivables	1,003	787	0	0
Decrease in other financial assets	0	6	18	0
Decrease in other non-financial assets	151	7	0	3
Increase in benefits subsidies and grants payable	781	162	162	587
Increase in suppliers liabilities	323	0	0	0
Increase in other provisions and payables	138	169	0	47
Total cash provided by working capital items	**2,667**	**1,427**	**336**	**798**
less **Cash used by working capital items**				
Increase in inventories	0	0	0	0
Increase in receivables	0	0	33	109
Increase in other financial assets	20	0	0	11
Increase in other non-financial assets	0	0	7	0
Decrease in benefits subsidies and grants payable	39	56	125	522
Decrease in other provisions and payables	0	0	68	0
Decrease in suppliers liabilities	0	183	141	134
Total cash used by working capital items	**59**	**239**	**374**	**775**
equals *Net cash from/(to) operating activities*	4,460	5,732	7,551	10,080
Net cash from/(to) investing activities	-920	-5,255	5,678	5,270
Net cash from operating activities and investment	**3,540**	**477**	**13,229**	**15,349**
Net cash from/(to) financing activities	-3,545	-1,019	-13,611	-15,373
equals Net (decrease)/increase in cash	**-5**	**-542**	**-382**	**-23**

Note 3: Income tax — accrual AAS31

	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m
	Estimates		Projections	
Individuals				
Gross PAYG withholding	79,000	84,920	91,500	98,120
Gross other individuals	15,510	15,440	17,250	18,350
less Refunds	10,700	11,090	11,870	13,040
Total individuals	83,810	89,270	96,880	103,430
Companies	27,085	27,965	29,540	31,385
Superannuation funds	4,560	4,860	5,245	5,535
Other withholding tax	1,980	1,530	1,310	1,330
Petroleum resource rent tax	1,450	1,480	1,100	920
Total income tax	**118,885**	**125,105**	**134,075**	**142,600**

Note 4: Indirect tax — accrual AAS31

	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m
	Estimates		Projections	
Excise duty				
Petroleum products	12,590	12,730	12,870	13,090
Other excise	6,460	6,510	6,605	6,690
Total excise duty	**19,050**	**19,240**	**19,475**	**19,780**
Customs duty	**4,682**	**4,967**	**5,422**	**5,902**
Other indirect taxes	**740**	**853**	**878**	**902**
GST	27,580	29,170	30,830	32,600
Less transfers to States and Territories in relation to GST revenue	27,580	29,170	30,830	32,600
GST revenue	**0**	**0**	**0**	**0**
Mirror taxes	207	216	227	238
Less transfers to States and Territories in relation to mirror tax revenue	207	216	227	238
Mirror tax revenue	**0**	**0**	**0**	**0**
Indirect tax revenue	**24,472**	**25,060**	**25,775**	**26,584**

Note 5: Interest and dividends

	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m
	Estimates		Projections	
Interest				
Interest from other governments				
State and Territory debt	59	52	39	29
Housing agreements	185	181	178	174
Total interest from other governments	**243**	**233**	**216**	**203**
Interest from other sources				
Swap interest	2,551	2,525	2,336	2,263
Advances	49	53	53	53
Deposits	10	10	10	10
Bills receivable	6	6	6	6
Bank deposits	158	164	165	170
Other	470	549	665	1,111
Total interest from other sources	**3,244**	**3,306**	**3,234**	**3,613**
Total interest	**3,487**	**3,539**	**3,451**	**3,816**
Dividends				
Dividends from associated entities	4,647	3,409	2,967	2,612
Other dividends	136	37	40	45
Total dividends	**4,783**	**3,446**	**3,007**	**2,657**
Total interest and dividends	**8,270**	**6,985**	**6,457**	**6,473**

Note 6: Other sources of non-taxation revenue

	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m
	Estimates		Projections	
Industry contributions	47	41	40	41
Indexation of HECS receivable and other student loans	282	222	239	259
International Monetary Fund related revenue	69	69	69	69
Other	3,295	3,102	3,022	2,987
Total other sources of non-taxation revenue	**3,693**	**3,433**	**3,370**	**3,355**

Note 7: Employees expenses

	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m
	Estimates		Projections	
Salaries and wages(a)	10,329	10,268	10,542	11,175
Leave and other entitlements	362	346	355	364
Separations and redundancies	32	26	25	27
Workers' compensation premiums	0	0	0	0
Other (including superannuation)	7,655	7,224	7,351	6,966
Total employee expenses	**18,377**	**17,864**	**18,273**	**18,532**

(a) Salaries and wages do not include superannuation.

Note 8: Suppliers expenses

	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m
	Estimates		Projections	
Supply of goods and services	11,897	11,299	11,359	11,685
Operating lease rental expenses	966	981	977	964
Other	1,000	862	839	861
Total suppliers	**13,863**	**13,142**	**13,176**	**13,510**

Note 9: Depreciation and amortisation

	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m
	Estimates		Projections	
Depreciation				
Specialist military equipment	1,980	2,182	2,312	2,370
Buildings	471	460	469	461
Other infrastructure, plant and equipment	844	785	819	824
Total depreciation	**3,295**	**3,426**	**3,600**	**3,656**
Total amortisation	**234**	**292**	**327**	**331**
Total depreciation and amortisation	**3,529**	**3,718**	**3,927**	**3,986**

Note 10: Grants

	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m
	Estimates		Projections	
State and Territory governments	24,287	23,735	23,884	24,388
Non-profit organisations	1,079	1,112	1,152	1,168
Overseas	603	328	240	816
Private sector	964	816	837	775
Local governments	543	424	428	282
Other	8,329	8,883	9,126	9,239
Total grants	**35,806**	**35,299**	**35,668**	**36,667**

Note 11: Government securities

For 2001-02 and the forward years, transactions relating to government securities and financial assets acquired for debt management purposes have been netted in the balance sheet and cash flows. In the balance sheet, the *financial assets — investments* category excludes financial assets acquired for debt management purposes, while the *debt — government securities* category is shown net of financial assets acquired for debt management purposes. Likewise, in the statement of cash flows, the *investing activities — cash used — other* category excludes cash used to acquire financial assets for debt management purposes.

This netting treatment has been applied because of the considerable uncertainty associated with the split between government securities and financial assets acquired for debt management purposes. Debt management strategies in respect of government securities and financial assets are highly dependent on prevailing market conditions and other factors. The balance to be struck between gross debt retirement and financial asset acquisition cannot be accurately estimated in advance.

Note 12: Total non-financial assets

	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m
	Estimates		Projections	
Land and buildings				
Land	4,061	3,819	3,675	3,548
Buildings	12,068	11,483	11,404	11,237
Total land and buildings	**16,129**	**15,302**	**15,079**	**14,785**
Infrastructure				
Specialist military equipment	31,189	31,896	33,088	34,400
Other	11,110	11,526	11,474	11,401
Total infrastructure	**42,298**	**43,422**	**44,563**	**45,802**
Intangibles				
Computer software	1,053	1,064	1,041	1,054
Other	263	261	238	217
Total intangibles	**1,316**	**1,325**	**1,279**	**1,271**
Inventories	3,479	3,533	3,897	4,210
Total inventories	**3,479**	**3,533**	**3,897**	**4,210**
Other non-financial assets				
Prepayments	1,168	1,162	1,169	1,166
Other	226	104	60	38
Total other non-financial assets	**1,394**	**1,266**	**1,229**	**1,205**
Total non-financial assets	**64,616**	**64,849**	**66,047**	**67,273**

Note 13: Employee liabilities

	2001-02 $m	2002-03 $m	2003-04 $m	2004-05 $m
	Estimates		Projections	
Superannuation	80,781	82,381	83,854	85,181
Leave and other entitlements	3,164	3,181	3,193	3,216
Accrued salaries and wages	264	284	281	224
Workers compensation claims	1,214	1,181	1,146	1,112
Separations and redundancies	27	27	27	27
Workers compensation premiums	1,263	1,346	1,434	1,528
Other	541	540	539	467
Total employee entitlements	**87,254**	**88,940**	**90,474**	**91,755**

Note 14: Grants payable

	2001-02 $m	2002-03 $m	2003-04 $m	2004-05 $m
	Estimates		Projections	
State and Territory governments	3,377	3,536	3,794	4,028
Non-profit organisations	4	4	4	4
Private sector	12	9	11	9
Overseas	1,246	1,078	824	1,159
Local governments	1	1	1	1
Other	3,962	3,951	3,854	3,874
Total grants payable	**8,603**	**8,580**	**8,489**	**9,075**

Note 15: Net asset movements

	2001-02 $m	2002-03 $m	2003-04 $m	2004-05 $m
	Estimates		Projections	
Opening net assets	**-46,305**	**-50,270**	**-51,229**	**-39,092**
Operating result after extraordinary items	-3,862	-1,113	12,021	14,561
Asset revaluation reserve	108	155	116	55
Other movements	-211	-1	-1	0
Closing net assets	**-50,270**	**-51,229**	**-39,092**	**-24,476**

Note 16: Taxes — cash AAS31

	2001-02 $m	2002-03 $m	2003-04 $m	2004-05 $m
	Estimates		Projections	
Total taxes	176,907	184,853	195,532	206,770
less payments to States and Territories in relation to GST revenue	27,430	29,170	30,830	32,600
less payments to States and Territories in relation to mirror tax revenue	815	216	227	238
Taxes	**148,662**	**155,468**	**164,475**	**173,932**