Appendix C: AAS31 *Financial Reporting by Governments* 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.

A reconciliation between the Commonwealth's general government AAS31 and Government Finance Statistics (GFS) revenue, expenses and operating results is provided in Appendix E.

Table C1: Statement of financial performance for the Commonwealth general government sector — AAS31

		Estimates		Projections	
		2002-03	2003-04	2004-05	2005-06
	Note	$m	$m	$m	$m
Revenues					
Taxation					
Income tax	3	128,183	137,290	145,600	154,330
Indirect tax	4	26,300	27,045	27,295	27,658
Fringe benefits tax		3,360	3,440	3,560	3,680
Other taxes		1,425	1,478	1,374	1,395
Total taxation revenue		**159,268**	**169,253**	**177,829**	**187,063**
Non-taxation					
Sales of goods and services		4,006	4,149	4,264	4,364
Interest and dividends	5	6,877	6,013	5,721	5,367
Net foreign exchange gains		0	0	0	0
Net gains from sales of assets		21	215	9,530	9,460
Other sources of non-tax revenue	6	2,962	2,557	2,626	2,666
Total non-tax revenue		**13,867**	**12,933**	**22,141**	**21,856**
Total revenue		**173,135**	**182,187**	**199,970**	**208,919**
Expenses					
Goods and services					
Employees	7	19,414	19,670	20,152	20,480
Suppliers	8	13,022	13,452	13,745	13,650
Depreciation and amortisation	9	3,821	4,040	4,233	4,033
Net write down of assets		1,814	1,138	1,128	1,102
Net foreign exchange losses		445	0	0	0
Net losses from the sale of assets		0	0	0	0
Other goods and services expenses		5,999	6,303	6,628	7,000
Total goods and services		**44,516**	**44,604**	**45,886**	**46,265**
Subsidies, benefits and grants					
Personal benefits		77,608	81,884	87,379	93,039
Subsidies		8,850	9,112	9,509	9,550
Grants	10	35,558	36,182	38,180	38,967
Total subsidies benefits and grants		**122,015**	**127,178**	**135,068**	**141,556**
Interest and other financing costs					
Interest		6,831	5,575	4,918	4,057
Other financing costs		61	55	53	53
Total interest and other financing costs		**6,891**	**5,629**	**4,971**	**4,109**
Total expenses		**173,422**	**177,411**	**185,926**	**191,930**
Operating result		**-287**	**4,775**	**14,045**	**16,989**
Extraordinary items		0	0	0	0
Operating result after extraordinary items		**-287**	**4,775**	**14,045**	**16,989**

Table C2: Statement of financial position for the Commonwealth general government sector — AAS31

		Estimates		Projections	
		2002-03	2003-04	2004-05	2005-06
	Note	$m	$m	$m	$m
Assets					
Financial assets					
Cash		821	234	485	262
Receivables		27,489	28,399	29,566	30,504
Investments	11	27,010	27,138	25,510	23,877
Accrued revenue		540	507	539	580
Other financial assets		42	42	42	42
Total financial assets		**55,901**	**56,321**	**56,143**	**55,265**
Non-financial assets	12				
Land and buildings		16,334	16,411	16,214	16,219
Infrastructure		43,947	45,742	47,348	49,523
Intangibles		1,221	1,231	1,221	1,222
Inventories		3,757	3,662	3,561	3,476
Other non-financial assets		1,029	1,049	1,055	1,063
Total non-financial assets		**66,288**	**68,095**	**69,400**	**71,503**
Total assets		**122,189**	**124,416**	**125,543**	**126,769**
Liabilities					
Debt					
Government securities	11	51,386	47,303	32,757	15,415
Loans		5,729	5,626	5,591	5,586
Leases		195	172	160	156
Deposits		300	300	300	300
Overdrafts		0	0	0	0
Other debt		2,997	2,238	2,050	1,941
Total debt		**60,607**	**55,639**	**40,858**	**23,398**
Provisions and payables					
Employees	13	90,682	92,852	94,636	96,460
Suppliers		1,936	1,916	1,927	1,942
Personal benefits payable		2,937	3,094	2,594	2,742
Subsidies payable		216	188	161	130
Grants payable	14	8,731	8,776	9,144	9,586
Other provisions and payables		5,991	6,019	6,132	5,313
Total provisions and payables		**110,492**	**112,845**	**114,593**	**116,174**
Total liabilities		**171,098**	**168,484**	**155,451**	**139,573**
Net assets	15	**-48,909**	**-44,068**	**-29,908**	**-12,804**
Equity					
Accumulated results		-80,242	-75,464	-59,767	-41,119
Reserves		31,333	31,396	29,859	28,315
Capital		0	0	0	0
Total equity		**-48,909**	**-44,068**	**-29,908**	**-12,804**

Table C3: Statement of cash flows for the Commonwealth general government sector — AAS31

		Estimates		Projections	
		2002-03	2003-04	2004-05	2005-06
	Note	$m	$m	$m	$m
Operating activities					
Cash received					
Taxes	16	157,529	167,801	176,356	185,686
Sales of goods and services		4,117	4,213	4,329	4,442
Interest		3,198	2,699	2,550	2,643
Dividends		3,590	3,246	3,038	2,586
GST input credit receipts		2,308	2,367	2,358	2,360
Other		2,417	2,410	2,492	2,546
Total operating cash received		**173,158**	**182,736**	**191,123**	**200,263**
Cash used					
Payments to employees		17,145	17,500	18,368	18,657
Payments to suppliers		15,361	15,739	15,988	15,907
Subsidies paid		8,278	8,578	8,975	9,299
Personal benefits		77,457	81,788	88,037	93,062
Grant payments		35,341	36,137	37,812	38,525
Interest and other financing costs		6,768	5,628	4,891	4,768
GST payments to taxation authority		118	112	114	114
Other		5,988	6,296	6,598	6,971
Total operating cash used		**166,457**	**171,777**	**180,782**	**187,302**
Net cash from operating activities		**6,702**	**10,959**	**10,342**	**12,961**
Investing activities					
Cash received					
Proceeds from asset sales program		10	7	11,280	11,280
Proceeds from sales of property, plant and equipment and intangibles		1,425	888	642	278
Net loans, advances and HECS		0	0	0	0
Other net investing cash received		0	0	0	0
Total investing cash received		**1,435**	**895**	**11,922**	**11,558**
Cash used					
Purchase of property, plant and equipment and intangibles		6,339	6,651	6,206	6,491
Net loans, advances and HECS		189	714	819	614
Other net investing cash paid	11	-9,587	106	200	170
Total investing cash used		**-3,058**	**7,471**	**7,225**	**7,275**
Net cash from investing activities		**4,493**	**-6,576**	**4,697**	**4,283**
Financing activities					
Cash received					
Net cash received from currency issues		0	0	0	0
Other		28	0	0	0
Total financing cash received		**28**	**0**	**0**	**0**
Cash used					
Net repayments of borrowings	11	12,608	4,186	14,581	17,347
Other		0	783	207	120
Total financing cash used		**12,608**	**4,969**	**14,788**	**17,467**
Net cash from financing activities		**-12,579**	**-4,969**	**-14,788**	**-17,467**
Net increase/decrease in cash held		**-1,385**	**-586**	**251**	**-223**

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, a statement of financial performance, a statement of financial position 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.

Note 2: Reconciliation of cash

	Estimates		Projections	
	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
Operating result (revenues less expenses)	**-287**	**4,775**	**14,045**	**16,989**
less **Revenues not providing cash**				
Foreign exchange gains	0	0	0	0
Gains from asset sales programme	-22	-10	9,454	9,454
Gains from sale of assets	43	225	75	5
Other	390	60	60	51
Total revenues not providing cash	**411**	**275**	**9,590**	**9,511**
plus **Expenses not requiring cash**				
Increase/(decrease) in employee entitlements	2,269	2,171	1,784	1,823
Depreciation/amortisation expense	3,821	4,040	4,233	4,033
Provision for bad and doubtful debts	278	266	247	218
Provision for dimunition in value of assets	615	105	103	105
Losses from asset sales programme	0	0	0	0
Losses from sale of assets	0	0	0	0
Foreign exchange losses	445	0	0	0
Other	0	0	0	0
Total expenses not requiring cash	**7,427**	**6,582**	**6,368**	**6,179**
plus **Cash provided by working capital items**				
Decrease in inventories	42	96	101	84
Decrease in receivables	222	0	0	0
Decrease in other financial assets	32	33	0	0
Decrease in other non-financial assets	66	0	0	0
Increase in benefits subsidies and grants payable	482	202	368	591
Increase in suppliers' liabilities	0	0	11	15
Increase in other provisions and payables	0	28	113	0
Total cash provided by working capital items	**843**	**358**	**593**	**691**
less **Cash used by working capital items**				
Increase in inventories	0	0	0	0
Increase in receivables	0	418	512	495
Increase in other financial assets	0	0	32	41
Increase in other non-financial assets	0	16	2	3
Decrease in benefits subsidies and grants payable	0	27	528	30
Decrease in other provisions and payables	724	0	0	818
Decrease in suppliers' liabilities	146	20	0	0
Total cash used by working capital items	**871**	**482**	**1,074**	**1,387**
equals Net cash from/(to) operating activities	6,702	10,959	10,342	12,961
Net cash from/(to) investing activities	4,493	-6,576	4,697	4,283
Net cash from operating activities and investment	**11,195**	**4,382**	**15,039**	**17,244**
Net cash from/(to) financing activities	-12,579	-4,969	-14,788	-17,467
equals **Net (increase)/decrease in cash**	**-1,385**	**-586**	**251**	**-223**

Note 3: Income tax — accrual AAS31

	Estimates		Projections	
	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
Individuals and other withholding tax(a)				
Gross income tax withholding	85,680	92,890	99,620	106,500
Gross other individuals	17,430	19,210	20,350	21,150
less Refunds	11,130	11,970	13,070	13,970
Total individuals and other withholding tax	91,980	100,130	106,900	113,680
Companies(b)	30,073	31,030	32,680	34,570
Superannuation funds				
Contributions and earnings	3,630	3,980	4,190	4,460
Surcharge	850	850	830	800
Total superannuation funds	4,480	4,830	5,020	5,260
Petroleum resource rent tax	1,650	1,300	1,000	820
Total income tax	**128,183**	**137,290**	**145,600**	**154,330**

(a) Consistent with the treatment at Budget, the family tax benefit and private health insurance rebates are recorded as expenses.

(b) On a GFS basis (Part III), it was reported that the company tax revenue estimate for 2002-03 is $29.2 billion. However, on a AAS31 basis, the company tax revenue estimate is $30.1 billion. This difference represents the unwinding of a AAS31 accounting provision, introduced in 1999-2000, of around $0.8 billion in relation to a High Court ruling on the taxation of general insurers. The Taxation Laws Amendment Bill (No. 3) 2002, which received Royal Assent on 10 November 2002, prevents the loss of revenue resulting from the High Court ruling, and therefore the accounting provision has been removed. There was no equivalent GFS provision to unwind (see footnote (a) to Note 3 in the Final Budget Outcome 1999-2000).

Note 4: Indirect tax — accrual AAS31

	Estimates		Projections	
	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
Excise duty				
Petroleum products	13,100	13,310	13,440	13,620
Other excise	7,060	7,160	7,270	7,370
Total excise duty revenue	20,160	20,470	20,710	20,990
Customs duty revenue	5,330	5,675	5,655	5,708
Other indirect tax revenue	810	900	930	960
GST	29,940	31,230	32,920	34,710
less transfers to States and Territories in relation to GST revenue	29,940	31,230	32,920	34,710
GST revenue	0	0	0	0
Mirror taxes	257	270	284	299
less transfers to States and Territories in relation to mirror tax revenue	257	270	284	299
Mirror tax revenue	0	0	0	0
Indirect tax revenue	**26,300**	**27,045**	**27,295**	**27,658**

Note 5: Interest and dividend revenue

	Estimates		Projections	
	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
Interest				
Interest from other governments				
State and Territory debt	52	39	29	17
Housing agreements	181	178	174	170
Total interest from other governments	**233**	**216**	**203**	**187**
Interest from other sources				
Swap interest	2,222	1,866	1,630	1,338
Advances	18	19	19	20
Deposits	12	12	13	15
Bills receivable	6	6	6	6
Bank deposits	141	146	157	164
Indexation of HECS receivable and other student loans	277	283	307	330
Other	378	218	348	720
Total interest from other sources	**3,054**	**2,550**	**2,481**	**2,593**
Total interest	**3,287**	**2,767**	**2,683**	**2,781**
Dividends				
Dividends from associated entities	3,561	3,226	3,014	2,556
Other dividends	29	20	24	31
Total dividends	**3,590**	**3,246**	**3,038**	**2,586**
Total interest and dividends	**6,877**	**6,013**	**5,721**	**5,367**

Note 6: Other sources of non-taxation revenue

	Estimates		Projections	
	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
Industry contributions	98	97	97	93
International Monetary Fund related revenue	61	61	61	61
Other	2,802	2,399	2,468	2,512
Total other sources of non-taxation revenue	**2,962**	**2,557**	**2,626**	**2,666**

Note 7: Employee expenses

	Estimates		Projections	
	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
Salaries and wages(a)	10,518	10,666	11,025	11,201
Leave and other entitlements	1,355	1,360	1,376	1,398
Separations and redundancies	63	62	62	72
Workers compensation premiums	0	0	0	0
Other (including superannuation)	7,478	7,582	7,689	7,809
Total employee expenses	**19,414**	**19,670**	**20,152**	**20,480**

(a) Salaries and wages do not include superannuation.

Note 8: Suppliers expenses

	Estimates		Projections	
	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
Supply of goods and services	11,539	11,968	12,245	12,130
Operating lease rental expenses	1,460	1,464	1,469	1,491
Other	23	20	32	29
Total suppliers	**13,022**	**13,452**	**13,745**	**13,650**

Note 9: Depreciation and amortisation

	Estimates		Projections	
	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
Depreciation				
Specialist military equipment	2,056	2,179	2,367	2,029
Buildings	478	487	466	532
Other infrastructure, plant and equipment	996	1,046	1,054	1,138
Total depreciation	**3,531**	**3,712**	**3,888**	**3,699**
Total amortisation	**290**	**328**	**345**	**334**
Total depreciation and amortisation	**3,821**	**4,040**	**4,233**	**4,033**

Note 10: Grants

	Estimates		Projections	
	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
State and Territory governments	23,745	24,098	25,230	26,572
Non-profit organisations	1,579	1,692	1,778	1,848
Overseas	731	273	850	373
Private sector	929	860	857	814
Local governments	291	395	349	105
Other	8,282	8,865	9,116	9,255
Total grants	**35,558**	**36,182**	**38,180**	**38,967**

Note 11: Government securities

For 2002-03 and the forward years, transactions relating to government securities and financial assets acquired for debt management purposes have been netted in the statement of financial position and cash flows. In the statement of financial position, the *financial asset — 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

	Estimates		Projections	
	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
Land and buildings				
Land	4,320	4,187	4,067	4,083
Buildings	12,014	12,225	12,147	12,136
Total land and buildings	**16,334**	**16,411**	**16,214**	**16,219**
Infrastructure				
Specialist military equipment	31,904	33,789	35,472	37,852
Other	12,042	11,952	11,876	11,671
Total infrastructure	**43,947**	**45,742**	**47,348**	**49,523**
Intangibles				
Computer software	1,122	1,156	1,169	1,170
Other	100	75	52	52
Total intangibles	**1,221**	**1,231**	**1,221**	**1,222**
Inventories	3,757	3,662	3,561	3,476
Total inventories	**3,757**	**3,662**	**3,561**	**3,476**
Other non-financial assets				
Prepayments	912	929	931	934
Other	117	120	124	129
Total other non-financial assets	**1,029**	**1,049**	**1,055**	**1,063**
Total non-financial assets	**66,288**	**68,095**	**69,400**	**71,503**

Note 13: Employee liabilities

	Estimates		Projections	
	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
Superannuation	83,710	85,708	87,377	89,047
Leave and other entitlements	3,498	3,581	3,665	3,813
Accrued salaries and wages	332	334	262	277
Workers compensation claims	1,269	1,254	1,243	1,233
Separations and redundancies	25	24	24	24
Workers compensation premiums	1,425	1,513	1,607	1,607
Other	423	438	459	459
Total employee entitlements	**90,682**	**92,852**	**94,636**	**96,460**

Note 14: Grants payable

	Estimates		Projections	
	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
State and Territory governments	3,353	3,605	3,835	4,081
Non-profit organisations	27	27	28	28
Private sector	66	69	76	76
Overseas	1,101	840	1,190	1,089
Local governments	2	2	2	2
Other	4,182	4,232	4,013	4,311
Total grants payable	**8,731**	**8,776**	**9,144**	**9,586**

Note 15: Net asset movements

	Estimates		Projections	
	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
Opening net assets	**-48,473**	**-48,909**	**-44,068**	**-29,908**
Operating result after extraordinary items	-287	4,775	14,045	16,989
Asset revaluation reserve	-125	66	116	116
Other movements	-24	-1	-1	-1
Closing net assets	**-48,909**	**-44,068**	**-29,908**	**-12,804**

Note 16: Taxes — cash AAS31

	Estimates		Projections	
	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
Total tax receipts	187,460	199,091	209,351	220,486
less payments to States and Territories in relation to GST revenue	29,630	31,020	32,710	34,500
less payments to States and Territories in relation to mirror tax revenue	301	270	284	299
Tax receipts	**157,529**	**167,801**	**176,356**	**185,686**