

Attachment A

REPORTING STANDARDS

The *Charter of Budget Honesty Act 1998* requires that the Mid-Year Economic and Fiscal Outlook (MYEFO) be based on external reporting standards, and that departures from applicable external reporting standards be identified.

The major external standards used in the MYEFO are the Australian Bureau of Statistics (ABS) accrual Government Finance Statistics (GFS) framework and Australian Accounting Standards (AAS), including Australian Accounting Standard No. 31 *Financial Reporting by Governments* (AAS31).

Departures from external reporting standards

MYEFO tables, with the exception of tables in Appendix B, do not include goods and services tax (GST) collections and equivalent payments to the States. Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, all GST receipts are appropriated to the States and Territories and thus are not available for expenditure by the Australian Government. Because the Australian Taxation Office collects GST as an agent for the States and Territories, GST receipts are not shown as Australian Government revenue. Estimates of GST receipts are provided in Table E2 of Appendix E.

The ABS GFS publication (*Australian System of Government Finance Statistics: Concepts, Sources and Methods* Cat. No. 5514.0.55.001 released on 10 October 2003) requires that provisions for bad and doubtful debts be excluded from the balance sheet. This treatment has not been adopted because excluding such provisions would overstate the value of Australian Government assets in the balance sheet (and would, therefore, be inconsistent with the market valuation principle).

The AAS31 financial statements currently record International Monetary Fund (IMF) Special Drawing Rights (SDRs) as a liability. The GFS statements also record SDRs as a liability. However, IMF SDRs are not treated as a liability in the ABS accrual GFS manual. The current accounting treatment will remain in place pending a review of all financial relationships with international organisations prior to the 2004-05 Budget.

Similarly, the GFS financial statements currently adopt the AAS31 financial statements' treatment for circulating coins, whereby revenue is recognised upon the issue of coins and no liability is recorded. However, in the ABS accrual GFS manual, coins on issue are treated as a liability and no revenue is recognised. The current accounting treatment will remain in place pending further discussions with the ABS prior to the 2004-05 Budget.

Part 3: Fiscal Outlook

The ABS GFS publication also requires defence weapons be treated as expenses. Defence weapons inventories are recorded as capital investment rather than expenses until such inventories can be reliably identified from other defence inventories and measured. This treatment does not affect the underlying cash or fiscal balances.

Public access communication assets, computer software and other intangibles are recorded at historic cost, as market value information, or suitable proxies for market value, are not readily observable for these items.

In order to ensure the reporting of reliable AAS and GFS budget estimates and outcomes, taxation revenue is recognised the earlier of when an assessment of a tax liability is made or cash payment is received by the Australian Taxation Office or the Australian Customs Service. Accordingly, for most categories of taxation revenue, there is a short lag between the time at which the underlying economic activity giving rise to the tax liability occurs and when the revenue is recognised. Longer lags of up to a year occur for some elements of company and superannuation funds taxation.

Additional information on the reporting standards and budget concepts is provided in Appendix E.