AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

Section 1: Overview, variations and measures

AGENCY OVERVIEW

There has been no change to the overview included in the *2004-05 Portfolio Budget Statements* (page 73).

ADDITIONAL ESTIMATES AND VARIATIONS TO OUTCOMES

The following variations contributed to a net increase in agency outputs of $0.6 million for the Australian Competition and Consumer Commission (ACCC).

Other variations to appropriations

	2004-05	2005-06	2006-07	2007-08
	$'000	$'000	$'000	$'000
Outcome 1				
Adjustment to Comcover premium	(40)	-	-	-
Transfer of the Consumer Safety and related Consumer Information Programmes from the Treasury to the ACCC	664	972	994	1,015

The ACCC has a total variation to the price of outputs funding of $0.6 million as a result of:

- the transfer of responsibilities for the administration of product safety and related consumer information functions from the Treasury to the ACCC of $0.7 million; and

- the reduction of insurance premium estimates for Comcover of $0.04 million.

Map 2: Outcomes and output groups for the agency

Australian Competition and Consumer Commission

Chairperson: Mr Graeme Samuel

Overall outcome

Strong, sustainable economic growth and the improved wellbeing of Australians

Outcome 1

To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets

Total price of outputs: $98.9 million
Agency outcomes appropriation: $98.4 million

Output Group 1.1

Australian Competition and Consumer Commission

Output 1.1.1

Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed

Output 1.1.2

Competitive market structures and informed behaviour

BREAKDOWN OF ADDITIONAL ESTIMATES BY APPROPRIATION BILL

Table 1.2: Appropriation Bill (No. 3) 2004-05

	2003-04 available $'000	2004-05 budget (1) $'000	2004-05 budget (2) $'000	2004-05 revised budget $'000	Additional estimates $'000	Reduced estimates $'000
AGENCY OUTPUTS						
Outcome 1						
To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets	74,148	97,807	98,471	98,431	-	(40)
Total	74,148	97,807	98,471	98,431	-	(40)

(1) Original budget as shown in the *2004-05 Portfolio Budget Statements*.
(2) Original budget as shown in the *2004-05 Portfolio Budget Statements* plus section 32 transfers.

Table 1.3: Appropriation Bill (No. 4) 2004-05

	2003-04 available $'000	2004-05 budget $'000	2004-05 revised $'000	Additional estimates $'000	Reduced estimates $'000
Non-operating					
Equity injections	56	23,959	23,959	-	-
Total capital	56	23,959	23,959	-	-
Total	56	23,959	23,959	-	-

SUMMARY OF STAFFING CHANGES

Table 1.4: Average staffing level (ASL)

	2004-05 budget	2004-05 revised	variation
Outcome 1			
To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets	475	481	6
Total	475	481	6

SUMMARY OF AGENCY SAVINGS

S	Savings from annual appropriations	**$0.04 million**
T	Transfer appropriation monies across outcomes	-
M	Movements of funding between years	-
A	Savings from capital appropriations	-
Total agency savings		**$0.04 million**

VARIATIONS TO REVENUE FROM OTHER SOURCES THROUGH NET ANNOTATED (SECTION 31) RECEIPTS

Table 1.5: Changes to net annotated appropriations (Section 31) receipts

	2004-05 total approp budget $'000	2004-05 total approp revised $'000	Receipts from independent sources budget $'000	Receipts from independent sources revised $'000	Variation in non-govt revenue $'000
Outcome 1					
To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets	97,807	98,431	460	460	-
Total	97,807	98,431	460	460	-

AGENCY AND ADMINISTERED REVENUES

Table 1.6: Agency and administered revenues

	2004-05 budget estimate $'000	2004-05 revised estimate $'000
ESTIMATED AGENCY REVENUES		
Non-appropriation agency revenues		
Goods and services	400	400
Other	60	60
Total non-appropriation agency revenues	460	460
Appropriation revenue	97,807	98,431
Total estimated agency revenues	98,267	98,891
ESTIMATED ADMINISTERED REVENUES		
Non-appropriation administered revenues		
Other	10,000	10,000
Total non-appropriation administered revenues	10,000	10,000
Total estimated agency and administered revenues	108,267	108,891

ESTIMATED SPECIAL ACCOUNT FLOWS

Table 1.8: Estimated special account flows

		Opening balance	Receipts	Payments	Adjustments	Closing balance
	A(1)	**2004-05**	**2004-05**	**2004-05**	**2004-05**	**2004-05**
	B(1)	2003-04	2003-04	2003-04	2003-04	2003-04
		opening balance	receipts	payments	adjustments	closing balance
		$'000	$'000	$'000	$'000	$'000
SPECIAL ACCOUNTS(2)						
Other Trust Account		**124**	**-**	**7**	**-**	**117**
		382	18	245	31	124
Services for other government and non-agency bodies		**-**	**-**	**-**	**-**	**-**
		-	109	109	-	-
Total special accounts		**124**	**-**	**7**	**-**	**117**

(1) The revised Opening Balance for 2004-05 (reference A) is the same as the final actual closing balance for 2003-04 (reference B). This balance may have changed from that shown in the *2004-05 Portfolio Budget Statements* as the actual for 2003-04 will have been updated to reflect the final budget outcome for the year.

(2) The special accounts are departmental in nature and are governed by the *Financial Management and Accountability Act 1997*.

Note: In the *2004-05 Portfolio Budget Statements* a special account was proposed for the operations of the proposed Australian Energy Regulator. Although the Australian Energy Regulator will be governed by separate enabling legislation it will no longer be treated as a special account.

Section 2: Revisions to outcomes and outputs

OUTCOMES AND OUTPUT GROUPS

The Australian Competition and Consumer Commission (ACCC) has not made any changes to its outcome or outputs since the *2004-05 Portfolio Budget Statements*.

Output cost attribution

The ACCC uses a process of cost allocation to estimate the costs of each output in Table 2.1.

The cost of each output is comprised of direct and indirect costs. Direct costs are assigned to outputs according to detailed cost profiles. Indirect costs that comprise corporate and overhead items such as information technology, accommodation and human resource management are allocated to outputs based on a consumption (cost driver) basis.

Table 2.1: Total resources for Outcome 1

	2004-05 budget estimate $'000	2004-05 revised estimate $'000
Agency appropriations		
Output Group 1.1 - Australian Competition and Consumer Commission		
Output 1.1.1 - Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed	59,597	60,221
Output 1.1.2 - Competitive market structures and informed behaviour	38,210	38,210
Total revenues from government (appropriations)	97,807	98,431
Contributing to price of agency outputs	100%	100%
Revenue from other sources		
Goods and services	400	400
Other	60	60
Total revenue from other sources	460	460
Total price of agency outputs		
(Total revenues from government and from other sources)	98,267	98,891
Total estimated resourcing for Outcome 1		
(Total price of outputs appropriations)	98,267	98,891

	2004-05	2004-05
Average staffing level (number)	475	481

Revised performance information and level of achievement — 2004-05

The ACCC has not made any changes to its performance information since the *2004-05 Portfolio Budget Statements*.

Section 3: Budgeted financial statements

The budgeted financial statements will form the basis of the financial statements that will appear in the Australian Competition and Consumer Commission's (ACCC) 2004-05 Annual Report, and form the basis for the input into the whole-of-government accounts. The financial statements should be read in conjunction with the accompanying notes.

The budgeted financial statements contain estimates prepared in accordance with the requirements of the Australian Government's financial budgeting and reporting framework, including the principles of Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

An analysis of the ACCC's budgeted financial statements is provided below.

Statement of financial performance

The ACCC is budgeting for a breakeven operating result in 2004-05. The actual operating result for 2003-04 was an approved operating loss of $7.0 million. The 2003-04 operating loss was due to the increasing costs of litigation.

Total revenue for 2004-05 is now estimated to be $98.9 million, a net increase of $0.6 million on the *2004-05 Portfolio Budget Statements*. The increase is as a result of:

- the transfer of appropriation of $0.7 million from the Department of the Treasury (the Treasury) to the ACCC for the transfer of responsibilities for the administration of product safety and related consumer information functions; and
- a decrease in the Comcover insurance premium of $0.04 million.

Total expenses for 2004-05 are estimated to be $98.9 million, a net increase of $0.6 million on the *2004-05 Portfolio Budget Statements*. The main increases are as a result of:

- increased employee expenses of $0.5 million for the transfer of responsibilities of the product safety and consumer information programmes from the Treasury;
- supplier expenses of $0.2 million for the transfer of responsibilities of the product safety and consumer information programmes from the Treasury to the ACCC; and

- a decrease in the Comcover insurance premium of $0.04 million.

Statement of financial position

The ACCC's budgeted 2004-05 net asset position will be $12.4 million, an increase of $1.3 million from the *2004-05 Portfolio Budget Statements*. This capital funding adjustment comprises:

- an adjustment of the operating loss estimate for 2003-04 in the *2004-05 Portfolio Budget Statements* from $8.4 million to the actual loss of $7.0 million. A decrease in the accumulated deficits of $1.4 million;

- $0.1 million liability provisions for Long Service Leave and Annual Leave transferred from the Treasury to the ACCC for the product safety and consumer information functions; and

- $0.05 million transfer of cash and non-financial assets from the Treasury to the ACCC for the product safety and related consumer information functions.

AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

This statement provides a picture of the expected financial results for the ACCC by identifying full accrual expenses and revenues, which highlights whether the ACCC is operating at a sustainable level.

Budgeted agency statement of financial position

This statement shows the financial position of the ACCC. It enables decision-makers to track the management of the ACCC's assets and liabilities.

Budgeted agency statement of cash flows

This statement identifies expected cash flows from operating activities, investing activities and financing activities.

Agency capital budget statement

This statement shows all proposed capital expenditure funded through the budget as appropriation or from internal sources.

Agency non-financial assets — summary of movement

This statement shows the movement in the ACCC's non-financial assets over the budget year.

NOTE OF ADMINISTERED ACTIVITY

Details of transactions administered by the agency on behalf of the Australian Government are to be shown in the following notes to the financial statements.

Note of budgeted administered financial performance

This note identifies the main revenues and expenses administered on behalf of the Australian Government. It also discloses administered revenues from government and transfers to the Official Public Account.

Note of budgeted administered financial position

This note shows the assets and liabilities administered on behalf of the Australian Government.

Note of budgeted administered cash flows

This note shows cash flows administered on behalf of the Australian Government.

Table 3.1: Budgeted agency statement of financial performance (for the period ended 30 June)

	2003-04 actual $'000	2004-05 revised budget $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
REVENUES					
Revenues from ordinary activities					
Revenues from government	74,157	98,431	75,355	75,249	75,441
Goods and services	429	400	400	400	400
Revenue from sales of assets	19	-	-	-	-
Other revenues	60	60	60	60	60
Total revenues from ordinary activities	74,665	98,891	75,815	75,709	75,901
EXPENSES					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	36,843	43,869	42,680	43,512	44,379
Suppliers	42,741	52,640	30,934	30,014	29,340
Depreciation and amortisation	2,059	2,382	2,201	2,183	2,183
Write-down of assets	6	-	-	-	-
Value of assets sold	7	-	-	-	-
Total expenses from ordinary activities (excluding borrowing costs expense)	81,656	98,891	75,815	75,709	75,901
Borrowing costs expense	47	-	-	-	-
Operating surplus or (deficit) from ordinary activities	(7,038)	-	-	-	-

Table 3.2: Budget agency statement of financial position (as at 30 June)

	2003-04 actual $'000	2004-05 revised budget $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
ASSETS					
Financial assets					
Cash	189	294	294	294	294
Receivables	839	22,795	23,795	24,795	24,795
Total financial assets	1,028	23,089	24,089	25,089	25,089
Non-financial assets					
Land and buildings	1,525	2,156	1,556	2,714	1,814
Infrastructure, plant and equipment	1,185	990	1,973	2,591	2,924
Inventories	95	95	87	87	87
Intangibles	914	1,169	1,324	1,579	1,843
Other non-financial assets	735	736	768	768	768
Total non-financial assets	4,454	5,146	5,708	7,739	7,436
Total assets	5,482	28,235	29,797	32,828	32,525
LIABILITIES					
Interest bearing liabilities					
Leases	4	-	-	-	-
Total interest bearing liabilities	4	-	-	-	-
Provisions					
Employees	9,809	10,607	11,107	11,707	12,307
Total provisions	9,809	10,607	11,107	11,707	12,307
Payables					
Suppliers	6,516	4,705	5,768	8,199	7,296
Other payables	635	468	468	468	468
Total payables	7,151	5,173	6,236	8,667	7,764
Total liabilities	16,964	15,780	17,343	20,374	20,071
EQUITY(1)					
Parent equity interest					
Contributed equity	3,156	27,092	27,092	27,092	27,092
Reserves	1,052	1,052	1,052	1,052	1,052
Retained surpluses or accumulated deficits	(15,690)	(15,690)	(15,690)	(15,690)	(15,690)
Total parent equity interest	(11,482)	12,454	12,454	12,454	12,454
Total equity	(11,482)	12,454	12,454	12,454	12,454
Current assets	1,770	23,825	24,857	25,857	25,857
Non-current assets	3,712	4,410	4,940	6,971	6,668
Current liabilities	11,012	10,477	11,790	14,521	13,918
Non-current liabilities	5,952	5,304	5,554	5,854	6,154

(1) 'Equity' is the residual interest in assets after deduction of liabilities.

Table 3.3: Budgeted agency statement of cash flows (for the period ended 30 June)

	2003-04 actual $'000	2004-05 revised budget $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	74,148	98,431	75,355	75,249	75,441
Goods and services	680	460	460	460	460
Cash returned from Official Public Account	7,439	-	-	-	-
Other	3,643	94	-	-	-
Total cash received	85,910	98,985	75,815	75,709	75,901
Cash used					
Cash returned to Official Public Account	-	22,000	1,000	1,000	1,000
Employees	37,088	43,191	40,323	41,751	42,608
Suppliers	49,350	54,575	31,728	28,740	30,410
Borrowing costs	37	-	-	-	-
Total cash used	86,475	119,766	73,051	71,491	74,017
Net cash from/(used by) operating activities	(565)	(20,781)	2,764	4,218	1,884
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	19	-	-	-	-
Total cash received	19	-	-	-	-
Cash used					
Purchase of property, plant and equipment	556	3,073	2,764	4,218	1,884
Purchase of intangibles	305	-	-	-	-
Total cash used	861	3,073	2,764	4,218	1,884
Net cash from/(used by) investing activities	(842)	(3,073)	(2,764)	(4,218)	(1,884)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	56	23,959	-	-	-
Total cash received	56	23,959	-	-	-
Cash used					
Repayments of debt	646	-	-	-	-
Total cash used	646	-	-	-	-
Net cash from/(used by) financing activities	(590)	23,959	-	-	-
Net increase/(decrease) in cash held	(1,997)	105	(0)	(0)	(0)
Cash at the beginning of the reporting period	2,186	189	294	294	294
Cash at the end of the reporting period	189	294	294	294	294

Table 3.4: Agency capital budget statement

	2003-04 actual $'000	2004-05 revised budget $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
CAPITAL APPROPRIATIONS					
Total equity injections	56	23,959	-	-	-
Total	56	23,959	-	-	-
Represented by					
Purchase of non-current assets	56	1,959	-	-	-
Other	-	22,000	-	-	-
Total	56	23,959	-	-	-
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	56	1,959	-	-	-
Funded internally by agency resources	979	1,114	2,764	4,218	1,884
Total	1,035	3,073	2,764	4,218	1,884

Table 3.5: Agency non-financial assets — Summary of movement (Budget year 2004-05)

	Land	Buildings	Specialist military equipment	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other intangibles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at the start of year	-	1,525	-	1,185	-	914	-	3,624
Additions	-	1,273	-	1,014	-	786	-	3,073
Disposals	-	-	-	-	-	-	-	-
Net revaluation increment / (decrement)	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Net transfers free of charge	-	-	-	-	-	-	-	-
Depreciation / amortisation expense	-	(642)	-	(1,209)	-	(531)	-	(2,382)
Write-off of assets	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	2,156	-	990	-	1,169	-	4,315
Total additions								
Self funded	-	50	-	464	-	600	-	1,114
Appropriations	-	1,223	-	550	-	186	-	1,959
Total	-	1,273	-	1,014	-	786	-	3,073

Table 3.6: Note of budgeted financial performance administered on behalf of government (for the period ended 30 June)

	2003-04 actual $'000	2004-05 revised budget $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
REVENUES					
Taxation					
Other taxes, fees and fines	26,654	10,000	10,000	10,000	10,000
Total taxation	26,654	10,000	10,000	10,000	10,000
Total revenues administered on behalf of the government	26,654	10,000	10,000	10,000	10,000
EXPENSES					
Write-down and impairment of assets	843	-	-	-	-
Total expenses administered on behalf of the government	843	-	-	-	-

Table 3.7: Note of budgeted financial position administered on behalf of government (as at 30 June)

	2003-04 actual $'000	2004-05 revised budget $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
ASSETS					
Financial assets					
Cash	573	-	-	-	-
Receivables	6,183	3,704	3,704	3,704	3,704
Total financial assets	6,756	3,704	3,704	3,704	3,704
Total assets administered on behalf of the government	6,756	3,704	3,704	3,704	3,704
LIABILITIES					
Payables					
Suppliers	17	-	-	-	-
Total payables	17	-	-	-	-
Total liabilities administered on behalf of the government	17	-	-	-	-
Current assets	6,756	3,704	3,704	3,704	3,704
Non-current assets	-	-	-	-	-
Current liabilities	17	-	-	-	-
Non-current liabilities	-	-	-	-	-

Table 3.8: Note of budgeted administered cash flows (for the period ended 30 June)

	2003-04 actual $'000	2004-05 revised budget $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
OPERATING ACTIVITIES					
Cash received					
Other taxes, fees and fines	23,616	9,990	9,990	9,990	9,990
Other	10	10	10	10	10
Total cash received	23,626	10,000	10,000	10,000	10,000
Cash used					
Cash to Official Public Account	23,063	10,573	10,000	10,000	10,000
Total cash used	23,063	10,573	10,000	10,000	10,000
Net cash from/(used by) operating activities	563	(573)	-	-	-
Net increase/(decrease) in cash held	563	(573)	-	-	-
Cash at beginning of reporting period	10	573	-	-	-
Cash at end of reporting period	573	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The financial statements are required by section 49 of the *Financial Management and Accountability Act 1997* and are a general purpose financial report.

The statements have been prepared in accordance with:

- Finance Minister's Orders (or FMOs, being the Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 30 June 2004));
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Consensus Views of the Urgent Issues Group.

The ACCC's statements of financial performance and financial position have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets which are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the **statement of financial position** when and only when it is probable that future economic benefit will flow and the amounts of the assets and liabilities can be reliably measured.

Revenue and expenses are recognised in the **statement of financial performance** when and only when the flow or consumption or loss of economic benefits has occurred can be reliably measured.

Administered revenues, expenses, assets and liabilities and cash flows are accounted for on the same basis and using the same policies as for departmental items except where otherwise stated.

Budgeted agency financial statements

Agency assets, liabilities, revenues and expenses are those items that are controlled by the ACCC. They are used by the ACCC in producing its outputs, including:

- computers, plant and equipment used in providing goods and services;
- liabilities for employee entitlements;
- revenues from appropriations or independent sources in payment of outputs; and

- employee, supplier and depreciation expenses incurred in producing the ACCC outputs.

Administered items are those items which are controlled by the Australian Government and managed or oversighted by the ACCC on behalf of the Australian Government. These administered items managed or controlled by the ACCC include authorisation fees, fines and costs.

The purpose of the separation of agency and administered items is to enable the assessment of administrative efficiency of the agency in providing goods and services.

Revenue

Revenues from government

Amounts appropriated for departmental output appropriations for the year (less any savings and reductions) are recognised as revenue, except for certain amounts which relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Savings are amounts offered up in Portfolio Additional Estimates Statements. Reductions are amounts by which appropriations have been legally reduced by the Finance Minister under *Appropriation Act No. 3*.

Resources received free of charge

Services received free of charge are recognised as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Other revenue

Revenue from the sale of goods (that is, seminars/speakers fees, sale of publications, photocopy revenue and sale of non-current assets) is recognised upon the delivery of goods/services to customers.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts or other agreements to provide services. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services are recognised at the nominal amounts due less any provision for bad or doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is judged to be less rather than more likely.

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

Interest revenue is no longer received by the ACCC following the government's decision to abolish the Australian Banking Incentive Scheme (ABIS) from 1 July 2003.

Transactions with the government as owner

Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any savings offered up in Portfolio Additional Estimates Statements) are recognised directly in contributed equity in that year.

Restructuring of administrative arrangements

Net assets received from or relinquished to another Commonwealth agency or authority under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Employee benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for wages and salaries (including non-monetary benefits) annual leave, and sick leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of the reporting date are also measured at their nominal amounts.

The nominal amount is calculated with regards to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the ACCC is estimated to be less than the annual entitlement for sick leave.

Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the beginning of the lease term and a liability recognised at the same time and for the same amount. The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Lease incentives taking the form of 'free' leasehold improvements and rent holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability.

Receivables

Court costs, which are awarded, are not considered as receivables or as creditors, as the case may be, until the costs have been agreed by the concerned parties.

A provision is raised for any doubtful debts based on a review of the collectability of all outstanding accounts as at year end.

Bad debts are written off during the year in which they are identified.

Acquisition of assets

Assets are recorded at cost of acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contribution by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

Property, infrastructure, plant and equipment (PP&E)

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the **statement of financial position**, except for purchases costing less than $1,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

Basis

Property, infrastructure, plant and equipment are carried at valuation. The ACCC revalues all its assets in three year cycles. Revaluations have been undertaken up to 30 June 2002 on a deprival basis. The revaluations were for the cycle which finishes on 30 June 2005.

Future revaluations by the ACCC are to be undertaken at fair value.

Buildings (leasehold improvements) were revalued as at 30 June 2004 at depreciated replacement cost.

Infrastructure, plant and equipment (P&E) assets were revalued as at 30 June 2002 at deprival value.

All valuations are conducted by an independent qualified valuer.

Depreciation and amortisation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the ACCC using, in all cases, the straight line method of depreciation. Leasehold improvements are amortised on a straight line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation/amortisation rates (useful lives) and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the useful lives in the table below. These rates apply to each item in that class except where the useful life of the item has been reassessed following revaluation.

Asset class	Total useful life
Fitout	Lesser of the term of the lease or 10 years
Furniture and fittings	10 years
Office equipment	5 years
Computer hardware	3 years
Computer software	3 to 7 years

Impairment of non-current assets

Non-current assets carried at up-to-date fair value at the reporting date are not subject to impairment testing.

Non-current assets carried at cost or deprival value and held to generate net cash inflows are required to have their recoverable amounts tested at the reporting date. The test compares the carrying amounts against the net present value of future net cash inflows. ACCC has no assets in this category.

The non-current assets carried at cost or deprival value, which are not held to generate net cash inflows, have been assessed for indications of impairment. Where indications of impairment exist, the carrying amount of the asset is compared to the higher of its net selling price and depreciated replacement cost and is written down to that value if greater. No assets were identified as impaired as at 30 June 2004.

Intangibles

Intangibles comprise software that has been externally acquired for internal use. These assets are carried at cost.

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of the ACCC's software is three to seven years.

All software assets were assessed for impairment as at 30 June 2004.

Inventories

Inventories (publications) held for resale are valued at cost, unless they are no longer required, in which case they are valued at net realisable value.