AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

Section 1: Agency overview and resources; variations and measures

OVERVIEW

There has been no change to the overview included in the *2005-06 Portfolio Budget Statements* (page 83).

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
Outcome 1		
To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets	To bring about greater competitiveness in every sector of the economy.	Output Group 1.1 Australian Competition and Consumer Commission

ADDITIONAL ESTIMATES AND VARIATIONS TO OUTCOMES

The following variations contributed to a net increase in agency outputs of $4.3 million and $1.0 million in related capital for the Australian Competition and Consumer Commission (ACCC).

Variations — measures

Table 1.2: Additional estimates and variations to outcomes — measures

	2005-06 $'000	2006-07 $'000	2007-08 $'000	2008-09 $'000
Outcome 1				
Increase in departmental appropriations				
Implementing operational separation of Telstra	4,130	4,862	3,948	4,031
Implementing operational separation of Telstra *(Related capital)*	975	-	-	-

Other variations to appropriations

Table 1.3: Additional estimates and variations to outcomes — other variations

	2005-06	2006-07	2007-08	2008-09
	$'000	$'000	$'000	$'000
Outcome 1				
Variations in departmental appropriations				
Section 32 transfer of the Consumer Information Programmes from Treasury to the ACCC	183	185	189	193

MEASURES — AGENCY SUMMARY

Table 1.4: Summary of measures since the 2005-06 Budget

Measure	Outcome	Output groups affected	2005-06 $'000			2006-07 $'000			2007-08 $'000			2008-09 $'000		
			Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total
Implementing operational separation of Telstra	1	1.1	-	4,130	4,130	-	4,862	4,862	-	3,948	3,948	-	4,031	4,031
Implementing operational separation of Telstra *(Related capital)*	1	1.1	-	975	975	-	-	-	-	-	-	-	-	-
Total			-	5,105	5,105	-	4,862	4,862	-	3,948	3,948	-	4,031	4,031

BREAKDOWN OF ADDITIONAL ESTIMATES BY APPROPRIATION BILL

Table 1.5: Appropriation Bill (No. 3) 2005-06

	2004-05 available $'000	2005-06 budget[1] $'000	2005-06 budget[2] $'000	2005-06 revised $'000	Additional estimates $'000
DEPARTMENTAL OUTPUTS					
Outcome 1					
To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets	98,431	85,481	85,664	89,794	4,130
Total	98,431	85,481	85,664	89,794	4,130

1 Original budget as shown in *2005-06 Portfolio Budget Statements.*
2 Original budget as shown in *2005-06 Portfolio Budget Statements* plus section 32 transfers ($0.2 million from Treasury).

Table 1.6: Appropriation Bill (No. 4) 2005-06

	2004-05 available $'000	2005-06 budget $'000	2005-06 revised $'000	Additional estimates $'000
Non-operating				
Equity injections	23,959	1,000	1,975	975
Total capital	23,959	1,000	1,975	975
Total	23,959	1,000	1,975	975

SUMMARY OF STAFFING CHANGES

Table 1.7: Average Staffing Level (ASL)

	2005-06 budget	2005-06 revised	variation
Outcome 1			
To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets	511	533	22
Total	511	533	22

SUMMARY OF AGENCY SAVINGS

Table 1.8: Summary of agency savings

This table is not applicable to the ACCC.

OTHER RECEIPTS AVAILABLE TO BE USED

Table 1.9 provides details of other receipts available to be used and include *Financial Management and Accountability Act 1997* (FMA) section 31 receipts, special accounts (non-appropriation receipts) and resources received free of charge.

Table 1.9: Other receipts available to be used

	Budget estimate 2005-06 $'000	Revised estimate 2005-06 $'000
Departmental other receipts		
Goods and services	460	9,460
Total departmental other receipts available to be used	460	9,460
Administered other receipts		
Other taxes, fees and fines	10,000	10,000
Total administered other receipts available to be used	10,000	10,000

ESTIMATES OF EXPENSES FROM SPECIAL APPROPRIATIONS

Table 1.10: Estimates of expenses from special appropriations

This table is not applicable to the ACCC.

ESTIMATES OF SPECIAL ACCOUNT FLOWS

Table 1.11: Estimates of special account flows

	Opening Balance **2005-06**[1] *2004-05*[1] $'000	Receipts **2005-06** *2004-05* $'000	Payments **2005-06** *2004-05* $'000	Adjustments[2] **2005-06** *2004-05* $'000	Closing Balance **2005-06** *2004-05* $'000
Other Trust Account - s20 *FMA Act (D)*	**8,052**	**1,200**	**200**	**9,000**	**52**
	124	*8,003*	*75*	*-*	*8,052*
Total special accounts					
2005-06 Budget estimate	**8,052**	**1,200**	**200**	**9,000**	**52**
Total special accounts					
2004-05 actual	*124*	*8,003*	*75*	*-*	*8,052*

(D)= Departmental

1 The revised Opening Balance for 2005-06 is the same as the final closing balance for 2004-05. This balance may have changed from that shown in the *2005-2006 Portfolio Budget Statements* as the actual for 2004-05 may have been updated to reflect the final budget outcome for that year.

2 Estimated adjustments include the transfer of funds of $9.0 million received in 2004-05 and 2005-06 from undertakings made under section 87B of the *Trade Practices Act 1974*, from the special account to the departmental account.

Special Public Monies are held by the ACCC in a Trustee capacity. The Trust monies are a result of court orders of which payments to the beneficiaries are pending. These monies are temporarily held for the benefit of a person or entity other than the Australian Government. This special account is departmental in nature and is governed by section 20 of the FMA.

The ACCC transferred $9.0 million from the special account to the departmental account. This was for undertakings made under section 87B of the *Trade Practices Act 1974*, which are now recognised as section 31 receipts 'in the custody or control of the Commonwealth' and therefore departmental in nature (See Table 1.11 above).

Section 2: Revisions to agency outcomes

OUTCOMES, ADMINISTERED ITEMS AND OUTPUTS

Table 1.1 'Agency outcomes and output groups' lists the outcome statements and output groups for the Australian Competition and Consumer Commission (ACCC).

The ACCC has not made any changes to its outcome or outputs since the *2005-06 Portfolio Budget Statements*.

Output cost attribution

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

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.

Outcome 1

The ACCC has only one outcome, namely, 'to enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets'. The total appropriation for this outcome for 2005-06 is $89.8 million.

Section 3: Budgeted financial statements

The financial statements form the basis of the financial statements that will appear in the Australian Competition and Consumer Commission's (ACCC) 2005-06 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 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.

Departmental financial statements

Budgeted departmental income statement

The ACCC is estimating an accounting operating loss of $7.3 million in 2005-06 as a result of timing of expenditure against funds received in 2004-05. The budgeted operating loss for 2005-06 is due to the following factors:

- Initial funding for the Australian Energy Regulator (AER) was provided in the 2004-05 Budget for only one year due to the uncertainty of the timing of the transfer of functions to the AER. Delays were experienced which resulted in surplus funds of $3.3 million in 2004-05. Since the funds are now expected to be spent in 2005-06 from a previous financial year revenue, a technical accounting operating loss will occur; and

- The Litigation Contingency Fund (LCF) was established in 2001 to fund extraordinary litigation losses. The ACCC has identified a number of potential court losses and anticipate that an estimated $4.0 million will be required from the accumulated surplus to fund these payments.

Operating Revenues

Total revenue for 2005-06 including additional estimates is estimated to be $99.3 million. This is an increase of $13.4 million as a result of the following movements taking place since the *2005-06 Portfolio Budget Statements*:

- New funding of $4.1 million for implementing and maintaining an effective and robust competition regulatory regime in relation to the separate retail, wholesale and network business units of Telstra;
- New funding of $0.2 million for the transfer of Treasury functions to the ACCC for safety products and consumer information; and
- Transfer of $9.0 million from the special account to the departmental account to account for undertakings made under Section 87B of the *Trade Practices Act 1974* which are now recognised as section 31 receipts and therefore departmental in nature.

Operating expenses

Total expenses are estimated to be $106.5 million. This is an increase of $20.6 million since the *2005-06 Portfolio Budget Statements*, arising largely from:

- increased expenditure of $3.3 million relating to the AER especially the expenditure funded in 2004-05 but spent in 2005-06 as explained above;
- increased expenditure of $4.0 million for estimated extraordinary litigation costs;
- increased expenditure of $4.1 million relating to implementing and maintaining an effective and robust competition regulatory regime in relation to the separate retail, wholesale and network business units of Telstra;
- increased expenditure of $0.2 million for the transfer of Treasury functions to the ACCC for safety products and consumer information; and
- expenditure of $9.0 million on a tobacco education programme in accordance with section 87B undertakings from tobacco companies.

Budgeted departmental balance sheet

Equity

In 2005-06 the ACCC's equity position will be in surplus in the amount of $21.0 million. This is a decrease of $5.3 million from 2004-05 actuals resulting from the projected operating loss of $7.3 million and a capital equity injection of $2.0 million.

Financial assets

In 2004-05 the ACCC received an amount of $22 million to address accumulated past year losses ($12 million) and to replenish the LCF ($10 million). The LCF was supplemented by funds not required in 2004-05 for extraordinary litigation costs which have not yet eventuated. This amount was transferred to the Official Public Account, and shown as a Receivable, until required.

Non-financial assets

In 2005-06 the ACCC will be maintaining its commitment to long term improvement, investing $6.2 million in capital.

A significant proportion of the ACCC's capital investment is directed towards the fitout of the Melbourne office, and the purchase of equipment and computer software for the new Measures shown at Table 1.4.

Liabilities

The ACCC's liabilities are mainly employee entitlements. There is no significant movement in total liabilities from 2004-05.

BUDGETED FINANCIAL STATEMENTS

Departmental financial statements

Budgeted departmental income statement

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 departmental balance sheet

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 departmental statement of cash flows

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

Departmental statement of changes in equity — summary of movement

This statement shows the movement in equity since the 30 June 2005. It shows the approved operating loss of $7.3 million recognised directly in equity and the appropriated equity injection of $2.0 million for capital purchases.

Departmental capital budget statement

This statement shows all proposed capital expenditure funded from appropriations or from internal sources.

Departmental property, plant, equipment and intangibles — summary of movement

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

Schedule of administered activity

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

Schedule of budgeted income and expenses administered on behalf of government

This schedule 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.

Schedule of budgeted assets and liabilities administered on behalf of government

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

Schedule of budgeted administered cash flows

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

Table 3.1: Budgeted departmental income statement (for the period ended 30 June)

	Actual 2004-05 $'000	Revised budget 2005-06 $'000	Forward estimate 2006-07 $'000	Forward estimate 2007-08 $'000	Forward estimate 2008-09 $'000
INCOME					
Revenue					
Revenues from government	98,431	89,794	84,970	84,224	85,279
Goods and services	765	9,460	460	460	460
Total revenue	99,196	99,254	85,430	84,684	85,739
Gains					
Net gains from sale of assets	3	-	-	-	-
Total gains	3	-	-	-	-
Total income	99,199	99,254	85,430	84,684	85,739
EXPENSE					
Employees	40,044	50,040	47,928	48,003	48,572
Suppliers	43,762	53,720	35,076	34,255	34,741
Depreciation and amortisation	1,531	2,744	2,426	2,426	2,426
Write-down of assets and impairment of assets	(5)	-	-	-	-
Net losses from sale of assets	3	-	-	-	-
Total expenses	85,335	106,504	85,430	84,684	85,739
Operating result from continuing operations	13,864	(7,250)	-	-	-
Transfer to/from reserves	(84)	-	-	-	-
Operating result	13,780	(7,250)	-	-	-
Net surplus or (deficit) attributable to the Australian Government	13,780	(7,250)	-	-	-

Table 3.2: Budgeted departmental balance sheet (as at 30 June)

	Actual 2004-05 $'000	Revised budget 2005-06 $'000	Forward estimate 2006-07 $'000	Forward estimate 2007-08 $'000	Forward estimate 2008-09 $'000
ASSETS					
Financial assets					
Cash	1,608	1,608	1,608	1,608	1,608
Receivables	33,833	25,626	26,178	26,730	27,282
Total financial assets	35,441	27,234	27,786	28,338	28,890
Non-financial assets					
Land and buildings	1,166	3,524	2,612	1,700	788
Infrastructure, plant and equipment	2,070	3,596	4,708	5,417	6,379
Inventories	105	105	105	105	105
Intangibles	656	256	56	259	209
Other	920	920	920	920	920
Total non-financial assets	4,917	8,401	8,401	8,401	8,401
Total assets	40,358	35,635	36,187	36,739	37,291
LIABILITIES					
Provisions					
Employees	10,486	11,038	11,590	12,142	12,694
Total provisions	10,486	11,038	11,590	12,142	12,694
Payables					
Suppliers	3,169	3,169	3,169	3,169	3,169
Other	469	469	469	469	469
Total payables	3,638	3,638	3,638	3,638	3,638
Total liabilities	14,124	14,676	15,228	15,780	16,332
EQUITY*					
Contributed equity	27,092	29,067	29,067	29,067	29,067
Reserves	968	968	968	968	968
Retained surpluses or accumulated deficits	(1,826)	(9,076)	(9,076)	(9,076)	(9,076)
Total equity	26,234	20,959	20,959	20,959	20,959
Current assets	36,361	28,154	28,706	29,258	29,810
Non-current assets	3,997	7,481	7,481	7,481	7,481
Current liabilities	8,881	9,157	9,433	9,709	9,985
Non-current liabilities	5,243	5,519	5,795	6,071	6,347

* 'Equity' is the residual interest in assets after deduction of liabilities.

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

	Actual 2004-05 $'000	Revised budget 2005-06 $'000	Forward estimate 2006-07 $'000	Forward estimate 2007-08 $'000	Forward estimate 2008-09 $'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	573	9,400	400	400	400
Appropriations	98,431	89,794	84,970	84,224	85,279
Cash received from OPA	-	7,250	-	-	-
GST received from ATO	3,540	-	-	-	-
Total cash received	102,544	106,444	85,370	84,624	85,679
Cash used					
Employees	39,158	49,488	47,376	47,451	48,020
Suppliers	50,822	53,660	35,016	34,195	34,681
Other cash returned to OPA	33,014	552	552	552	552
Total cash used	122,994	103,700	82,944	82,198	83,253
Net cash from or (used by) operating activities	(20,450)	2,744	2,426	2,426	2,426
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	3	-	-	-	-
Total cash received	3	-	-	-	-
Cash used					
Purchase of property, plant and equipment	2,066	6,228	2,426	2,167	2,426
Purchase of intangibles	121	-	-	259	-
Total cash used	2,187	6,228	2,426	2,426	2,426
Net cash from or (used by) investing activities	(2,184)	(6,228)	(2,426)	(2,426)	(2,426)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	24,053	1,975	-	-	-
Cash received from OPA	-	1,509	-	-	-
Total cash received	24,053	3,484	-	-	-
Net cash from or (used by) financing activities	24,053	3,484	-	-	-
Net increase or (decrease) in cash held	1,419	-	-	-	-
Cash at the beginning of the reporting period	189	1,608	1,608	1,608	1,608
Cash at the end of the reporting period	1,608	1,608	1,608	1,608	1,608

Table 3.4: Departmental statement of changes in equity — summary of movement (Budget year 2005-06)

	Accumulated results	Asset revaluation reserve	Other reserves	Contributed equity/ capital	Total equity
	$'000	$'000	$'000	$'000	$'000
Opening balance as at 1 July 2005					
Balance carried forward from previous period	(1,826)	968	-	27,092	26,234
Opening balance	(1,826)	968	-	27,092	26,234
Income and expense					
Net operating result	(7,250)	-	-	-	(7,250)
Total income and expenses recognised directly in equity	(7,250)	-	-	-	(7,250)
Transactions with owners					
Contribution by owners					
Appropriation (equity injection)	-	-	-	1,975	1,975
Sub-total transactions with owners	-	-	-	1,975	1,975
Closing balance as at 30 June 2006	(9,076)	968	-	29,067	20,959

Table 3.5: Departmental capital budget statement

	Actual 2004-05 $'000	Revised budget 2005-06 $'000	Forward estimate 2006-07 $'000	Forward estimate 2007-08 $'000	Forward estimate 2008-09 $'000
CAPITAL APPROPRIATIONS					
Total equity injections	23,959	1,975	-	-	-
Total capital appropriations	23,959	1,975	-	-	-
Represented by:					
Purchase of non-financial assets	1,959	1,975	-	-	-
Other	22,000	-	-	-	-
Total represented by	23,959	1,975	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	1,959	1,975	-	-	-
Funded internally by Departmental resources	1,114	4,253	2,426	2,426	2,426
Total	3,073	6,228	2,426	2,426	2,426

Table 3.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2005-06)

	Land	Investment property	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	$'000
As at 1 July 2005									
Gross book value	-	-	1,512	-	2,841	-	2,101	-	6,454
Accumulated depreciation	-	-	(346)	-	(771)	-	(1,445)	-	(2,562)
Opening net book value	-	-	1,166	-	2,070	-	656	-	3,892
Additions:									
by purchase	-	-	3,254	-	2,974	-	-	-	6,228
Depreciation/amortisation expense	-	-	(896)	-	(1,448)	-	(400)	-	(2,744)
As at 30 June 2006									
Gross book value	-	-	4,766	-	5,815	-	2,101	-	12,682
Accumulated depreciation	-	-	(1,242)	-	(2,219)	-	(1,845)	-	(5,306)
Closing net book value	-	-	3,524	-	3,596	-	256	-	7,376

Table 3.7: Schedule of budgeted income and expenses administered on behalf of government (for the period ended 30 June)

	Actual 2004-05 $'000	Revised budget 2005-06 $'000	Forward estimate 2006-07 $'000	Forward estimate 2007-08 $'000	Forward estimate 2008-09 $'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Taxation					
Other taxes, fees and fines	12,674	10,000	10,000	10,000	10,000
Total taxation	12,674	10,000	10,000	10,000	10,000
Total revenues administered on behalf of government	12,674	10,000	10,000	10,000	10,000
Total income administered on behalf of government	12,674	10,000	10,000	10,000	10,000
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Write down and impairment of assets	1,103	-	-	-	-
Total expenses administered on behalf of government	1,103	-	-	-	-

Table 3.8: Schedule of budgeted assets and liabilities administered on behalf of government (as at 30 June)

	Actual 2004-05 $'000	Revised budget 2005-06 $'000	Forward estimate 2006-07 $'000	Forward estimate 2007-08 $'000	Forward estimate 2008-09 $'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash	1	-	-	-	-
Receivables	8,030	4,000	4,000	4,000	4,000
Total financial assets	8,031	4,000	4,000	4,000	4,000
Total assets administered on behalf of government	8,031	4,000	4,000	4,000	4,000
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Payables					
Suppliers	3	-	-	-	-
Total payables	3	-	-	-	-
Total liabilities administered on behalf of government	3	-	-	-	-

Table 3.9: Schedule of budgeted administered cash flows (for the period ended 30 June)

	Actual 2004-05 $'000	Revised budget 2005-06 $'000	Forward estimate 2006-07 $'000	Forward estimate 2007-08 $'000	Forward estimate 2008-09 $'000
OPERATING ACTIVITIES					
Cash received					
Other taxes, fees and fines					
Fines and costs	9,220	9,220	9,220	9,220	9,220
Authorisation fees	487	777	777	777	777
Other	3	3	3	3	3
Total cash received	9,710	10,000	10,000	10,000	10,000
Net cash from or (used by) operating activities	9,710	10,000	10,000	10,000	10,000
Net increase or (decrease) in cash held	9,710	10,000	10,000	10,000	10,000
Cash at beginning of reporting period	573	1	-	-	-
Cash to Official Public Account for:					
- appropriations	(10,282)	(10,001)	(10,000)	(10,000)	(10,000)
Cash at end of reporting period	1	-	-	-	-

Table 3.10: Schedule of administered capital budget

This table is not applicable to the ACCC.

Table 3.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2005-06)

This table is not applicable to the ACCC.

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 income statement and balance sheet 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 balance sheet 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 income statement when and only when the flow or consumption or loss of economic benefits has occurred and 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, undertakings made from section 87B of the *Trade Practices Act 1974* 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.

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

Asset recognition threshold

Purchases of property, infrastructure, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than $2,000, 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 has revalued all of its assets at 1 July 2004 and any changes in valuation to 30 June 2005 have been reviewed by the valuers to be nil.

Future revaluations by the ACCC are to be undertaken at fair value. Under fair value, assets which are surplus to requirements are measured at their net realisable value. At 30 June 2005 the ACCC had no assets in this situation.

The ACCC intends to have formal valuations every three years.

Infrastructure, plant and equipment assets were revalued as at 30 June 2004 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.