Statement 9: Budget Financial Statements

The budget financial statements consist of an operating statement, including other economic flows, a balance sheet, and a cash flow statement for the Australian Government general government sector (GGS), the public non-financial corporations sector (PNFC) and the total non-financial public sector (NFPS). This statement also contains notes showing disaggregated information for the GGS.

The *Charter of Budget Honesty Act 1998* (the Charter) requires that the budget be based on external reporting standards and for departures from these standards to be disclosed. Budget papers in previous years contained three sets of financial statements prepared according to both Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS). In 2007, the Australian Accounting Standards Board released *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) aiming to harmonise ABS GFS and AAS in a single set of financial statements.

The Government has produced a single set of financial statements that comply with both ABS GFS and AAS, meeting the requirement of the Charter, with departures disclosed. The statements reflect the Government's accounting policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

The Australian, State and Territory governments have an agreed framework — the Accrual Uniform Presentation Framework (UPF) — for the presentation of government financial information on a basis broadly consistent with AASB 1049. The budget financial statements are consistent with the requirements of the UPF.

In accordance with the UPF requirements, this statement also contains an update of the Australian Government's Loan Council Allocation.

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STATEMENT 9: BUDGET FINANCIAL STATEMENTS

Table 1: Australian Government general government sector operating statement

		Estimates			Projections	
		2008-09	2009-10	2010-11	2011-12	2012-13
	Note	$m	$m	$m	$m	$m
Revenue						
Taxation revenue	3	275,751	267,727	275,981	301,876	331,002
Sales of goods and services	4	6,373	7,483	7,746	7,918	7,706
Interest income	5	5,454	4,697	4,586	4,512	4,484
Dividend income	5	3,194	6,413	2,562	2,566	2,406
Other	6	5,166	4,292	3,967	3,905	4,085
Total revenue		**295,939**	**290,612**	**294,841**	**320,776**	**349,684**
Expenses						
Gross operating expenses						
Wages and salaries(a)	7	15,691	17,069	16,993	17,023	17,085
Superannuation	7	2,945	3,384	3,490	3,556	3,631
Depreciation and amortisation	8	5,520	5,634	5,570	5,343	5,430
Payment for supply of goods and services	9	57,925	63,229	63,155	65,855	67,177
Other operating expenses(a)	7	4,694	4,571	4,806	4,995	5,177
Total gross operating expenses		*86,774*	*93,887*	*94,013*	*96,772*	*98,500*
Superannuation interest expense	7	6,432	6,792	7,016	7,245	7,489
Interest expenses	10	5,358	7,556	9,664	12,036	13,864
Current transfers						
Current grants	11	94,804	102,185	105,371	110,451	113,529
Subsidy expenses		8,088	8,121	8,569	10,072	13,727
Personal benefits	12	111,556	99,579	106,406	111,960	120,085
Total current transfers		*214,448*	*209,885*	*220,345*	*232,483*	*247,342*
Capital transfers	11					
Mutually agreed write-downs		1,717	1,657	1,738	1,846	1,932
Other capital grants		9,712	18,434	11,752	6,006	5,865
Total capital transfers		*11,430*	*20,091*	*13,490*	*7,852*	*7,796*
Total expenses		**324,443**	**338,213**	**344,528**	**356,388**	**374,990**
Net operating balance		**-28,504**	**-47,601**	**-49,687**	**-35,612**	**-25,306**
Other economic flows						
Revaluation of equity(b)		-8,490	2,044	2,012	2,481	2,887
Net write-downs of assets (including bad and doubtful debts)		-4,089	-3,903	-4,069	-4,268	-4,608
Assets recognised for the first time		316	293	272	228	218
Actuarial revaluations		-1,866	-1	0	0	0
Net foreign exchange gains		-143	-5	0	0	0
Net swap interest received		-25	187	93	48	39
Market valuation of debt		-3,245	147	-56	-372	-447
Other economic revaluations(c)		-112	-595	110	-98	-173
Total other economic flows		**-17,653**	**-1,832**	**-1,638**	**-1,981**	**-2,084**
Comprehensive result - Total change in net worth	13	**-46,157**	**-49,432**	**-51,325**	**-37,593**	**-27,391**
Net operating balance		**-28,504**	**-47,601**	**-49,687**	**-35,612**	**-25,306**
Net acquisition of non-financial assets						
Purchases of non-financial assets		9,910	11,305	11,639	11,300	10,163
less Sales of non-financial assets		516	619	258	154	161
less Depreciation		5,520	5,634	5,570	5,343	5,430
plus Change in inventories		417	425	216	171	468
plus Other movements in non-financial assets		56	68	241	165	-24
Total net acquisition of non-financial assets		**4,347**	**5,545**	**6,269**	**6,139**	**5,016**
Fiscal balance (Net lending/borrowing)(d)		**-32,851**	**-53,145**	**-55,956**	**-41,751**	**-30,323**

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) Revaluation of equity reflects changes in the market valuation of investments. This line also reflects any equity revaluations at the point of disposal or sale.

(c) Largely reflects other revaluation of assets and liabilities.

(d) The term fiscal balance is not used by the ABS.

Table 2: Australian Government general government sector balance sheet

		Estimates			Projections	
		2008-09	2009-10	2010-11	2011-12	2012-13
	Note	$m	$m	$m	$m	$m
Assets						
Financial assets						
Cash and deposits	20(a)	1,538	1,282	1,769	2,353	2,679
Advances paid	14	21,948	23,873	25,538	25,818	25,148
Investments, loans and placements	15	102,506	100,415	92,308	92,496	93,927
Other receivables	14	32,708	36,626	38,975	45,944	56,747
Equity investments						
Investments in other public sector entities		18,870	20,177	23,848	30,073	30,098
Equity accounted investments		224	224	224	224	224
Investments - shares		22,856	24,976	26,753	28,206	29,138
Total financial assets		*200,650*	*207,572*	*209,414*	*225,113*	*237,961*
Non-financial assets	16					
Land		7,994	7,568	7,579	7,624	7,570
Buildings		18,967	20,227	21,139	22,375	22,791
Plant, equipment and infrastructure		44,465	47,856	52,175	56,475	60,084
Inventories		6,523	6,921	7,108	7,213	7,614
Intangibles		3,101	3,752	4,179	4,561	4,885
Investment property		168	143	125	109	422
Biological assets		29	30	31	32	32
Heritage and cultural assets		8,286	8,376	8,419	8,460	8,500
Assets held for sale		552	545	530	522	513
Other non-financial assets		3,003	1,874	1,804	1,485	1,304
Total non-financial assets		*93,088*	*97,292*	*103,090*	*108,857*	*113,716*
Total assets		**293,738**	**304,864**	**312,504**	**333,970**	**351,677**
Liabilities						
Interest bearing liabilities						
Deposits held		339	339	339	339	339
Advances received		0	0	0	0	0
Government securities		111,867	169,907	222,487	273,318	300,814
Loans	17	8,170	8,173	8,243	7,956	8,071
Other borrowing		919	851	791	754	706
Total interest bearing liabilities		*121,296*	*179,270*	*231,860*	*282,366*	*309,929*
Provisions and payables						
Superannuation liability	18	118,401	122,423	126,499	130,575	134,672
Other employee liabilities	18	9,419	9,725	10,127	10,580	11,085
Suppliers payable	19	3,658	3,639	3,736	3,819	3,861
Personal benefits payable	19	14,222	12,490	12,995	13,900	14,977
Subsidies payable	19	1,586	1,659	1,937	1,991	2,076
Grants payable	19	6,746	6,511	6,481	6,377	6,384
Other provisions and payables	19	7,653	7,824	8,870	11,955	23,679
Total provisions and payables		*161,686*	*164,271*	*170,646*	*179,198*	*196,733*
Total liabilities		**282,981**	**343,541**	**402,505**	**461,564**	**506,662**
Net worth(a)		**10,756**	**-38,676**	**-90,001**	**-127,594**	**-154,985**
Net financial worth(b)		*-82,331*	*-135,968*	*-193,091*	*-236,451*	*-268,701*
Net financial liabilities(c)		*101,201*	*156,145*	*216,939*	*266,524*	*298,799*
Net debt(d)		*-4,697*	*53,700*	*112,245*	*161,699*	*188,175*

(a) Net worth is calculated as total assets minus total liabilities.
(b) Net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets.
(c) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.
(d) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 3: Australian Government general government sector cash flow statement[(a)]

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Cash receipts from operating activities					
Taxes received	269,377	259,436	268,600	291,329	321,374
Receipts from sales of goods and services	6,356	7,480	7,723	7,898	7,668
Interest receipts	5,014	4,426	4,345	4,291	4,341
Dividends and income tax equivalents	3,152	5,663	3,362	2,616	2,456
Other receipts	5,328	4,360	3,979	3,937	4,094
Total operating receipts	**289,228**	**281,364**	**288,008**	**310,071**	**339,932**
Cash payments for operating activities					
Payments for employees	-21,412	-23,127	-23,457	-23,778	-24,140
Payments for goods and services	-56,813	-62,201	-61,828	-64,487	-66,303
Grants and subsidies paid	-111,812	-127,722	-125,240	-125,660	-128,485
Interest paid	-4,078	-5,890	-9,061	-10,257	-11,975
Personal benefit payments	-110,393	-102,368	-107,059	-112,216	-120,230
Other payments	-3,810	-4,305	-4,268	-4,416	-4,469
Total operating payments	**-308,319**	**-325,613**	**-330,914**	**-340,813**	**-355,601**
Net cash flows from operating activities	**-19,090**	**-44,249**	**-42,906**	**-30,743**	**-15,668**
Cash flows from investments in non-financial assets					
Sales of non-financial assets	555	619	258	154	161
Purchases of non-financial assets	-9,469	-11,030	-11,503	-11,138	-9,860
Net cash flows from investments in non-financial assets	**-8,914**	**-10,411**	**-11,245**	**-10,984**	**-9,699**
Net cash flows from investments in financial assets for policy purposes	**-7,428**	**-5,089**	**-4,761**	**-6,762**	**300**
Cash flows from investments in financial assets for liquidity purposes					
Increase in investments	-12,483	1,761	6,645	-442	-604
Net cash flows from investments in financial assets for liquidity purposes	**-12,483**	**1,761**	**6,645**	**-442**	**-604**
Cash receipts from financing activities					
Borrowing	48,124	58,424	54,199	51,601	28,341
Other financing	1,127	411	203	104	82
Total cash receipts from financing activities	**49,250**	**58,835**	**54,402**	**51,705**	**28,423**
Cash payments for financing activities					
Borrowing	0	0	0	0	0
Other financing	-1,836	-1,104	-1,648	-2,190	-2,426
Total cash payments for financing activities	**-1,836**	**-1,104**	**-1,648**	**-2,190**	**-2,426**
Net cash flows from financing activities	**47,414**	**57,731**	**52,754**	**49,515**	**25,997**
Net increase/(decrease) in cash held	**-501**	**-257**	**487**	**584**	**326**

Table 3: Australian Government general government sector cash flow statement (continued)[(a)]

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Net cash flows from operating activities and investments in non-financial assets (Surplus(+)/deficit(-))	**-28,004**	**-54,660**	**-54,150**	**-41,727**	**-25,368**
Finance leases and similar arrangements(b)	-507	-1	-31	-31	-20
GFS cash surplus(+)/deficit(-)	**-28,511**	**-54,661**	**-54,182**	**-41,758**	**-25,387**
less Future Fund earnings	3,603	2,931	2,869	2,777	2,763
Equals underlying cash balance(c)	**-32,114**	**-57,593**	**-57,051**	**-44,535**	**-28,150**
plus Net cash flows from investments in financial assets for policy purposes	-7,428	-5,089	-4,761	-6,762	300
plus Future Fund earnings	3,603	2,931	2,869	2,777	2,763
Equals headline cash balance	**-35,939**	**-59,751**	**-58,943**	**-48,520**	**-25,087**

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.
(b) The acquisition of assets under finance leases decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.
(c) The term underlying cash balance is not used by the ABS.

Table 4: Australian Government public non-financial corporations sector operating statement

	Estimates	
	2008-09	2009-10
	$m	$m
Revenue		
Current grants and subsidies	22	18
Sales of goods and services	6,990	7,146
Interest income	51	34
Other	1	1
Total revenue	**7,064**	**7,199**
Expenses		
Gross operating expenses		
Depreciation	353	406
Wages and salaries(a)	3,064	3,102
Superannuation	83	147
Other operating expenses(a)	2,970	3,150
Total gross operating expenses	*6,470*	*6,806*
Interest expenses	47	41
Other property expenses	467	204
Current transfers		
Tax expenses	254	153
Total current transfers	*254*	*153*
Total expenses	**7,238**	**7,204**
Net operating balance	**-173**	**-5**
Other economic flows	**18**	**1,244**
Comprehensive result - Total change in net worth	**-155**	**1,238**
Net acquisition of non-financial assets		
Purchases of non-financial assets	1,522	2,485
less Sales of non-financial assets	82	42
less Depreciation	353	406
plus Change in inventories	5	-6
plus Other movements in non-financial assets	24	12
Total net acquisition of non-financial assets	**1,115**	**2,043**
Fiscal balance (Net lending/borrowing)(b)	**-1,288**	**-2,048**

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.
(b) The term fiscal balance is not used by the ABS.

Table 5: Australian Government public non-financial corporations sector balance sheet

	Estimates	
	2008-09	2009-10
	$m	$m
Assets		
Financial assets		
Cash and deposits	705	510
Investments, loans and placements	1,137	1,091
Other receivables	819	874
Equity investments	323	322
Total financial assets	*2,984*	*2,797*
Non-financial assets		
Land and fixed assets	5,891	7,765
Other non-financial assets(a)	511	525
Total non-financial assets	*6,402*	*8,291*
Total assets	**9,386**	**11,088**
Liabilities		
Interest bearing liabilities		
Borrowing	734	1,123
Total interest bearing liabilities	*734*	*1,123*
Provisions and payables		
Other employee entitlements	1,140	1,163
Other provisions(a)	725	868
Account payables	979	888
Total provisions and payables	*2,844*	*2,919*
Total liabilities	**3,578**	**4,042**
Shares and other contributed capital	**5,808**	**7,047**
Net worth(b)	**5,808**	**7,047**
Net financial worth(c)	*-594*	*-1,244*
Net debt(d)	*-1,108*	*-479*

(a) Excludes the impact of commercial taxation adjustments.
(b) Under AASB1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.
(c) Under AASB1049, net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital.
(d) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 6: Australian Government public non-financial corporations sector cash flow statement[(a)]

	Estimates	
	2008-09	2009-10
	$m	$m
Cash receipts from operating activities		
Receipts from sales of goods and services	7,632	7,756
GST input credit receipts	291	301
Other receipts	73	55
Total operating receipts	**7,995**	**8,111**
Cash payments for operating activities		
Payment for goods and services	-3,366	-3,834
Interest paid	-46	-36
Payments to employees	-2,851	-3,088
GST payments to taxation authority	-506	-513
Other payments for operating activities	-372	-238
Total operating payments	**-7,141**	**-7,710**
Net cash flows from operating activities	**854**	**401**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	83	42
Purchases of non-financial assets	-1,545	-2,496
Net cash flows from investments in non-financial assets	**-1,462**	**-2,455**
Net cash flows from investments in financial assets for policy purposes	**0**	**0**
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	479	725
Net cash flows from investments in financial assets for liquidity purposes	**479**	**725**
Cash receipts from financing activities		
Borrowing	15	381
Other financing	156	957
Total cash receipts from financing activities	**170**	**1,338**
Cash payments for financing activities		
Other financing	-478	-204
Total cash payments for financing activities	**-478**	**-204**
Net cash flows from financing activities	**-308**	**1,134**
Net increase/(decrease) in cash held	**-436**	**-195**
Cash at the beginning of the year	**1,142**	**705**
Cash at the end of the year	**705**	**510**
Net cash from operating activities and investments in non-financial assets	**-608**	**-2,053**
Distributions paid	-478	-204
Equals surplus(+)/deficit(-)	**-1,086**	**-2,258**
Finance leases and similar arrangements(b)	0	0
GFS cash surplus(+)/deficit(-)	**-1,086**	**-2,258**

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.
(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table 7: Australian Government total non-financial public sector operating statement[(a)]

	Estimates	
	2008-09	2009-10
	$m	$m
Revenue		
Taxation revenue	275,497	267,575
Sales of goods and services	12,708	13,945
Interest income	5,506	4,730
Dividend income	2,728	6,208
Other	5,167	4,293
Total revenue	**301,605**	**296,752**
Expenses		
Gross operating expenses		
Depreciation	5,872	6,040
Superannuation	3,029	3,531
Wages and salaries(a)	18,755	20,171
Payment for supply of goods and services	60,239	65,696
Other operating expenses(a)	4,694	4,571
Total gross operating expenses	*92,588*	*100,010*
Superannuation interest expense	6,432	6,792
Other interest expenses	5,405	7,597
Current transfers		
Grant expenses	94,804	102,185
Subsidy expenses	8,066	8,102
Personal benefit payments	111,556	99,579
Total current transfers	*214,426*	*209,867*
Capital transfers	11,430	20,091
Total expenses	**330,282**	**344,357**
Net operating balance	**-28,677**	**-47,606**
Other economic flows	**-17,635**	**-588**
Comprehensive result - Total change in net worth	**-46,312**	**-48,194**
Net acquisition of non-financial assets		
Purchases of non-financial assets	11,431	13,789
less Sales of non-financial assets	599	661
less Depreciation	5,872	6,040
plus Change in inventories	422	419
plus Other movements in non-financial assets	80	79
Total net acquisition of non-financial assets	**5,462**	**7,587**
Fiscal balance (Net lending/borrowing)(b)	**-34,139**	**-55,193**

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.
(b) The term fiscal balance is not used by the ABS.

Table 8: Australian Government total non-financial public sector balance sheet

	Estimates	
	2008-09	2009-10
	$m	$m
Assets		
Financial assets		
Cash and deposits	2,244	1,792
Advances paid	21,948	23,873
Investments, loans and placements	103,643	101,506
Other receivables	33,482	37,442
Equity investments	36,464	38,653
Total financial assets	*197,781*	*203,265*
Non-financial assets		
Land and fixed assets	92,126	98,713
Other non-financial assets	7,364	6,869
Total non-financial assets	*99,490*	*105,583*
Total assets	**297,271**	**308,848**
Liabilities		
Interest bearing liabilities		
Deposits held	339	339
Government securities	111,867	169,907
Loans	8,170	8,173
Other borrowing	1,653	1,974
Total interest bearing liabilities	*122,030*	*180,393*
Provisions and payables		
Unfunded superannuation liability	118,401	122,423
Other employee entitlements	10,559	10,887
Other provisions	8,378	8,692
Other	27,147	25,130
Total provisions and payables	*164,485*	*167,132*
Total liabilities	**286,514**	**347,524**
Shares and other contributed capital	**5,808**	**7,047**
Net worth(a)	**10,756**	**-38,676**
Net financial worth(b)	*-88,734*	*-144,259*
Net debt(c)	*-5,805*	*53,221*

(a) Under AASB1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.
(b) Under AASB1049, net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets. Under ABS GFS, net financial worth equals total financial assets minus total liabilities, minus shares and other contributed capital.
(c) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 9: Australian Government total non-financial public sector cash flow statement[(a)]

	Estimates	
	2008-09	2009-10
	$m	$m
Cash receipts from operating activities		
Taxes received	269,122	259,288
Receipts from sales of goods and services	12,738	13,954
Interest receipts	5,064	4,457
Dividends	2,687	5,472
Other receipts	5,338	4,371
Total operating receipts	**294,949**	**287,542**
Cash payments for operating activities		
Payments for goods and services	-59,143	-64,966
Grants and subsidies paid	-111,812	-127,722
Interest paid	-4,125	-5,927
Personal benefit payments	-110,393	-102,368
Payments to employees	-24,264	-26,215
Other payments for operating activities	-3,926	-4,396
Total operating payments	**-313,663**	**-331,593**
Net cash flows from operating activities	**-18,714**	**-44,052**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	638	661
Purchases of non-financial assets	-11,014	-13,527
Net cash flows from investments in non-financial assets	**-10,376**	**-12,866**
Net cash flows from investments in financial assets for policy purposes	**-7,428**	**-5,089**
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-12,004	2,486
Net cash flows from investments in financial assets for liquidity purposes	**-12,004**	**2,486**
Cash receipts from financing activities		
Borrowing	48,139	58,805
Other financing	0	0
Total cash receipts from financing activities	**48,139**	**58,805**
Cash payments for financing activities		
Other financing	-554	264
Total cash payments for financing activities	**-554**	**264**
Net cash flows from financing activities	**47,584**	**59,069**
Net increase/(decrease) in cash held	**-937**	**-451**
Cash at the beginning of the year	**3,181**	**2,244**
Cash at the end of the year	**2,244**	**1,792**
Net cash from operating activities and investments in non-financial assets	**-29,090**	**-56,918**
Distributions paid	0	0
Equals surplus(+)/deficit(-)	**-29,090**	**-56,918**
Finance leases and similar arrangements(b)	-507	-1
GFS cash surplus(+)/deficit(-)	**-29,597**	**-56,919**

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.
(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decrease the deficit.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: External reporting standards and accounting policies

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

The major external standards used for budget reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods, cat no. 5514.0*, which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and

- Australian Accounting Standards (AAS), being *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) and other applicable Australian Equivalents to International Financial Reporting Standards (AEIFRS).

As required by the Charter, the financial statements have been prepared on an accrual basis that complies with both ABS GFS and AAS, except for departures disclosed at Note 2.

A more detailed description of the AAS and GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Appendix A. Table A2 in Appendix A explains the key differences between the two frameworks. Detailed accounting policies, as required by AAS, are disclosed in the annual consolidated financial statements.

Budget reporting focuses on the general government sector (GGS). The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies, user charging and external funding. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS all material transactions and balances between entities within the GGS have been eliminated. A list of entities within the GGS, as well as entities within and a description of the public non-financial corporations (PNFC) sector and public financial corporations (PFC) sector, are disclosed in Table A1 in Appendix A.

The Government's key fiscal aggregates are based on ABS GFS concepts and definitions, including the ABS GFS cash surplus/deficit and the derivation of the underlying cash balance and net financial worth. AASB 1049 requires the disclosure of other ABS GFS fiscal aggregates, including net operating balance, net lending/borrowing (fiscal balance) and net worth. In addition to these ABS GFS aggregates the Accrual Uniform Presentation Framework (UPF) requires net debt, net financial worth and net financial liabilities.

Explanations of variations in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt and net worth since the February 2009 *Updated Economic and Fiscal Outlook* (UEFO) are disclosed in Statement 3.

Details of the Australian Government's GGS contingent liabilities are disclosed in Statement 8.

Measurement of the public sector superannuation liability

The nominal value of the Australian Government's public sector superannuation liability is anticipated to grow from $118 billion in 2008-09 to $162 billion in 2020.

The valuation of the liability is based on a range of actuarial assumptions regarding the incidence, timing and amount of the future benefits. These assumptions are determined by actuaries and applied in calculating the long-term costs of the Australian Government's defined benefit superannuation schemes that will be charged to the Consolidated Revenue Fund (CRF). The most recent actuarial investigations were conducted based on membership data as at 30 June 2008 and the results are contained in the Long-Term Cost Reports (LTCRs) prepared for these schemes.

The discount rate is used to value the nominal amounts of the future superannuation liability to today's dollars. For the purpose of preparing its budget forecasts, the Australian Government uses the rate applied by the actuaries in preparing the relevant LTCRs. This estimate reflects the approximate cost to the Australian Government if the scheme had to be funded via borrowings. As in previous years, the long-term assumption is 6 per cent per annum (nominal).

Due to the global economic and financial crisis, current yields on Commonwealth Government bonds have dropped substantially since 30 June 2008. However, as the nature of the superannuation liability is long term, the actuarially determined discount rate of 6 per cent as per the LTCR has been used for valuing the long-term cost of the unfunded superannuation liability.

For budget reporting purposes, which extends beyond the current financial year, this long-term rate remains appropriate as it does not introduce significant volatility into future calculations of the superannuation liability. Due to uncertainty around future interest rate movements, maintaining the discount rate determined by the actuaries provides for a better understanding of fiscal strategy targets linked to net financial worth and assists in the useability and understandability of the Government's financial statements.

Measurement of the Public Sector Superannuation Liability (continued)

For annual (actual) reporting purposes, Australian Accounting Standards require the discount rate for valuing the unfunded superannuation liability to be determined by reference to market yields on long term government bonds as at the reporting date. This is the approach that the Australian Government follows in preparing its Consolidated Financial Statements and Final Budget Outcome.

Sensitivity of estimates to changes in the discount rate

If current spot market yields were used to discount the nominal value of the future unfunded superannuation benefits, then this would result in a substantial change to the recognised value of the liability. Based on the (nominal) spot rate of 4.82 per cent for the 10-year government bond on 5 May 2009, the present value of the liability would increase by approximately $23 billion in 2008-09 if this rate applied at 30 June 2009.

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The budget financial statements depart from the external reporting standards as follows.

General government sector

Departures from ABS GFS

ABS GFS requires that provisions for bad and doubtful debts be excluded from the balance sheet. This treatment has not been adopted in the budget financial statements or in any reconciliation notes because excluding such provisions would overstate the value of Australian Government assets in the balance sheet. The budget financial statements currently adopt the AAS treatment for provisions for bad and doubtful debts.

ABS GFS treats coins on issue as a liability and no revenue is recognised. The ABS GFS treatment of circulating coins as a liability has not been adopted in the budget financial statements or in any reconciliation notes. Instead, the budget financial statements adopt the AAS treatment for circulating coins. Under this treatment seigniorage revenue is recognised upon the issue of coins and no liability is recorded.

Under ABS GFS prepayments are classified as financial assets. In accordance with AAS, prepayments have been classified as non-financial assets in the budget financial statements. This is a classification difference that impacts on net financial worth.

ABS GFS currently requires Special Drawing Rights (SDRs) liabilities to be recorded as a contingent liability. The treatment of SDRs as a contingent liability has not been adopted in the budget financial statements or any reconciliation notes. The budget financial statements currently record SDRs as a liability. This is consistent with AAS, and also represents an early adoption of the ABS' proposed revisions to GFS from September 2009 in line with revised international standards (refer ABS cat. no. 5310.0.55.001 *Information Paper: Introduction of revised international standards in ABS economic statistics in 2009*).

Currently, ABS GFS requires defence weapons platforms to be expensed. The financial statements currently record defence weapons platforms as a capital investment. This is consistent with AAS, and also represents an early adoption of the ABS' proposed revisions to GFS from September 2009 in line with revised international standards (refer ABS cat. no. 5310.0.55.001 *Information Paper: Introduction of revised international standards in ABS economic statistics in 2009*).

Under ABS GFS, concessional loans are recognised at their nominal value, that is, they are not discounted to fair (market) value as there is not considered to be a secondary market. This treatment has not been adopted for the financial statements. Consistent with AAS, loans issued at below market interest rates or with long repayment periods are recorded at fair value (by discounting them by market interest rates). The difference between the nominal value and the fair value of the loan is recorded as an expense. Over the life of the loan the interest earned is recognised at market rates.

Departures from AASB 1049

AAS requires the advances paid to the International Development Association and Asian Development Fund to be recognised at fair value. Under ABS GFS these advances are recorded at nominal value. The ABS GFS treatment is adopted in the financial statements.

AASB 1049 requires the disclosure of the operating result and its derivation on the face of the operating statement. This aggregate is not used by the Australian Government (and is not required by the UPF). It has been disclosed in Note 13 rather than on the face of the operating statement.

AASB 1049 requires disaggregated information, by ABS GFS function, for expenses and total assets to be disclosed where they are reliably attributable. ABS GFS does not require such information. In accordance with ABS GFS, disaggregated information for expenses and net acquisition of non-financial assets is disclosed in Statement 6.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to the ABS GFS measurement of items, where different, in notes to the financial statements. Reconciliation notes have not been included as they would effectively create two measures of the same aggregate.

AASB 1049 requires major variances between original budget estimates and outcomes to be explained in the financial statements. Explanations of major variances for the 2008-09 year from the 2008-09 Budget to the 2008-09 MYEFO are discussed in Part 4 of the MYEFO. All policy decisions taken between the 2008-09 Budget and the 2008-09 MYEFO are disclosed in Appendix A of the MYEFO. Explanations of major variances for the 2008-09 year from the 2008-09 MYEFO to the February 2009 UEFO are disclosed in Part 4 of the UEFO, with policy decisions taken during this period disclosed in Appendix A of the document. Explanations of variations since February 2009 UEFO are disclosed in Statement 3 of this document, with all decisions taken since UEFO disclosed in Budget Paper No. 2.

Public non-financial corporations (PNFC) and total non-financial public sectors (NFPS)

AASB 1049 defines net worth for the PNFC and NFPS sectors as total assets less total liabilities, however ABS GFS defines net worth as total assets less total liabilities less shares and contributed capital (which is equal to zero for the PNFC sector). Similarly, AASB1049 defines net financial worth for these sectors as financial assets less total liabilities, whereas under ABS GFS it is equal to financial assets less total liabilities less shares and contributed capital. The AASB 1049 treatment has been adopted in the PNFC and NFPS sector financial statements.

The financial statements for the PNFC and NFPS sectors comply with the UPF but do not include all the line item disclosures required by AASB 1049. Disaggregated outcome notes for the PNFC sector will be disclosed in the consolidated financial statements.

Note 3: Taxation revenue by type

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Income taxation					
Individuals and other withholding taxes(a)					
Gross income tax withholding	117,680	119,000	122,630	132,590	144,075
Gross other individuals	31,210	28,350	27,690	29,440	32,180
less Refunds	23,200	24,640	23,780	24,840	26,815
Total individuals and other withholding taxation	125,690	122,710	126,540	137,190	149,440
Fringe benefits tax	3,470	3,460	3,590	3,790	4,050
Superannuation funds					
Contributions and earnings	9,140	7,980	9,250	10,420	11,410
Surcharge	20	10	10	10	10
Superannuation funds	9,160	7,990	9,260	10,430	11,420
Company tax	57,950	54,980	55,740	62,320	67,200
Petroleum resource rent tax	1,600	1,720	1,710	1,640	1,660
Total income taxation revenue	**197,870**	**190,860**	**196,840**	**215,370**	**233,770**
Indirect taxation					
Sales taxes					
Goods and services tax	43,130	43,630	45,960	48,670	51,880
Wine equalisation tax	700	710	730	770	830
Luxury car tax	390	370	360	400	430
Total sales taxes	44,220	44,710	47,050	49,840	53,140
Excise duty					
Petrol	6,610	6,340	6,200	5,803	5,008
Diesel	6,660	6,490	6,570	6,325	5,516
Beer	2,010	2,050	2,100	2,170	2,240
Tobacco	5,620	5,510	5,460	5,550	5,710
Other excisable products	3,620	3,460	3,680	3,885	3,803
Of which: Other excisable beverages(b)	870	970	1,060	1,150	1,240
Total excise duty revenue	24,520	23,850	24,010	23,733	22,277
Customs duty					
Textiles, clothing and footwear	1,140	830	580	620	660
Passenger motor vehicles	1,180	870	630	660	690
Excise-like goods	2,760	2,780	2,850	2,987	3,101
Other imports	1,600	1,530	1,670	1,780	1,900
less Refunds and drawbacks	240	240	240	240	240
Total customs duty revenue	6,440	5,770	5,490	5,807	6,111
Carbon Pollution Reduction Scheme	-	-	-	4,470	12,990
Other indirect taxation					
Agricultural levies	558	353	352	356	357
Other taxes	2,143	2,185	2,239	2,300	2,357
Total other indirect taxation revenue	2,701	2,537	2,591	2,656	2,715
Mirror taxes	397	407	423	440	462
less Transfers to States in relation to mirror tax revenue	397	407	423	440	462
Mirror tax revenue	0	0	0	0	0
Total indirect taxation revenue	**77,881**	**76,867**	**79,141**	**86,506**	**97,232**
Total taxation revenue	**275,751**	**267,727**	**275,981**	**301,876**	**331,002**

(a) Includes Medicare levy revenue of $8,630 million.
(b) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

Note 3(a): Taxation revenue by source

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Taxes on income, profits and capital gains					
Income and capital gains levied on individuals	129,180	126,180	130,140	140,990	153,500
Income and capital gains levied on enterprises	68,690	64,680	66,700	74,380	80,270
Total taxes on income, profits and capital gains	**197,870**	**190,860**	**196,840**	**215,370**	**233,770**
Taxes on employers' payroll and labour force	340	351	365	380	395
Taxes on the provision of goods and services					
Sales/goods and services tax	44,220	44,710	47,050	49,840	53,140
Excises and levies	25,240	24,365	24,525	24,218	22,688
Taxes on international trade	6,440	5,770	5,490	5,840	6,220
Total taxes on the provision of goods and services	**75,900**	**74,845**	**77,065**	**79,898**	**82,048**
Taxes on use of goods and performance of activities	1,640	1,671	1,711	6,228	14,790
Total taxation revenue	**275,751**	**267,727**	**275,981**	**301,876**	**331,002**

Note 4: Sales of goods and services revenue

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Sales of goods	1,293	1,213	1,347	1,429	1,348
Rendering of services	3,147	4,107	4,127	4,067	3,871
Operating lease rental	17	11	19	19	21
Other fees from regulatory services	1,917	2,152	2,253	2,403	2,465
Total sales of goods and services revenue	**6,373**	**7,483**	**7,746**	**7,918**	**7,706**

Note 5: Interest and dividend income

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Interest from other governments					
State and Territory debt	179	175	170	165	160
Housing agreements	15	14	13	11	10
Total interest from other governments	**194**	**188**	**183**	**177**	**171**
Interest from other sources					
Advances	30	26	30	34	35
Deposits	104	61	52	62	71
Bills receivable	5	6	6	6	6
Bank deposits	237	105	109	112	113
Indexation of HELP receivable and other student loans	287	302	323	341	355
Other	4,596	4,008	3,884	3,781	3,734
Total interest from other sources	**5,260**	**4,508**	**4,403**	**4,335**	**4,313**
Total interest	**5,454**	**4,697**	**4,586**	**4,512**	**4,484**
Dividends					
Dividends from other public sector entities	1,408	4,992	1,198	1,253	1,169
Other dividends	1,786	1,421	1,364	1,312	1,238
Total dividends	**3,194**	**6,413**	**2,562**	**2,566**	**2,406**
Total interest and dividend income	**8,649**	**11,109**	**7,147**	**7,077**	**6,891**

Note 6: Other sources of non-taxation revenue

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Industry contributions	88	91	97	43	44
Royalties	1,912	1,343	1,331	1,261	1,262
Seigniorage	105	104	102	107	107
Other	3,061	2,754	2,438	2,493	2,673
Total other sources of non-taxation revenue	**5,166**	**4,292**	**3,967**	**3,905**	**4,085**

Note 7: Employee and superannuation expense

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Wages and salaries expenses	**15,691**	**17,069**	**16,993**	**17,023**	**17,085**
Other operating expenses					
Leave and other entitlements	2,088	1,919	2,039	2,107	2,140
Separations and redundancies	79	43	40	38	37
Workers compensation premiums and claims	503	496	511	528	568
Other	2,024	2,112	2,215	2,322	2,432
Total other operating expenses	**4,694**	**4,571**	**4,806**	**4,995**	**5,177**
Superannuation expenses					
Superannuation	2,945	3,384	3,490	3,556	3,631
Superannuation interest cost	6,432	6,792	7,016	7,245	7,489
Total superannuation expenses	**9,378**	**10,176**	**10,506**	**10,801**	**11,120**
Total employee and superannuation expense	**29,762**	**31,817**	**32,304**	**32,819**	**33,382**

Note 8: Depreciation and amortisation expense

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Depreciation					
Specialist military equipment	2,738	2,609	2,487	2,533	2,586
Buildings	1,017	1,130	1,176	974	1,002
Other infrastructure, plant and equipment	1,217	1,294	1,278	1,183	1,192
Heritage and cultural assets	44	4	4	4	4
Total depreciation	**5,016**	**5,037**	**4,945**	**4,694**	**4,784**
Total amortisation	**504**	**597**	**624**	**650**	**646**
Total depreciation and amortisation expense	**5,520**	**5,634**	**5,570**	**5,343**	**5,430**

Note 9: Payment for supply of goods and services

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Supply of goods and services	18,886	20,714	18,864	18,960	18,247
Operating lease rental expenses	2,280	2,232	2,339	2,368	2,421
Personal benefits - indirect	30,359	33,321	34,827	37,100	38,701
Health care payments	4,758	4,905	4,985	5,104	5,189
Other	1,642	2,057	2,140	2,323	2,620
Total payment for supply of goods and services	**57,925**	**63,229**	**63,155**	**65,855**	**67,177**

Note 10: Interest expense

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Interest on debt					
Government securities	3,938	6,264	8,340	10,659	12,493
Loans	6	1	1	1	0
Other	90	67	59	57	52
Total interest on debt	**4,034**	**6,333**	**8,400**	**10,716**	**12,545**
Other financing costs	**1,324**	**1,224**	**1,264**	**1,320**	**1,319**
Total interest expense	**5,358**	**7,556**	**9,664**	**12,036**	**13,864**

Note 11: Current and capital grants expense

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Current grants expense					
State and Territory governments	74,061	73,339	77,193	82,707	87,418
Local governments	573	750	369	355	335
Private sector	1,957	2,708	2,355	2,380	2,151
Overseas	3,246	3,331	3,721	3,823	4,080
Non-profit organisations	1,738	2,546	2,575	3,093	1,426
Multi-jurisdictional sector	6,566	8,512	8,628	8,955	9,206
Other	6,663	11,000	10,529	9,138	8,912
Total current grants expense	**94,804**	**102,185**	**105,371**	**110,451**	**113,529**
Capital grants expense					
Mutually agreed write-downs	1,717	1,657	1,738	1,846	1,932
Other capital grants					
State and Territory governments	8,857	17,481	11,144	5,524	5,400
Local governments	492	409	83	11	0
Multi-jurisdictional sector	85	86	87	90	93
Other	278	458	439	381	371
Total capital grants expense	**11,430**	**20,091**	**13,490**	**7,852**	**7,796**
Total grants expense	**106,234**	**122,276**	**118,861**	**118,303**	**121,325**

Note 12: Personal benefit payments

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Social welfare - assistance to the aged	30,743	30,212	32,494	34,547	36,804
Assistance to veterans and dependants	6,490	6,256	6,240	6,104	6,001
Assistance to people with disabilities	15,576	15,799	17,345	18,266	19,258
Assistance to families with children	36,866	28,490	28,792	29,423	29,956
Assistance to the unemployed	5,075	8,876	10,411	10,122	9,090
Student assistance	550	2,689	2,619	2,711	2,860
Common youth allowance	2,356	0	0	0	0
Other welfare programmes	8,841	1,255	1,009	983	1,196
Financial and fiscal affairs	218	224	233	243	253
Higher education	130	0	0	0	0
Vocational and industry training	152	164	175	177	13
Other	4,557	5,615	7,087	9,384	14,655
Total personal benefit payments	**111,556**	**99,579**	**106,406**	**111,960**	**120,085**

Note 13: Operating result and comprehensive result (total change in net worth)

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Opening net worth	**71,165**	**10,756**	**-38,676**	**-90,001**	**-127,594**
Opening net worth adjustments(a)	-14,252	0	0	0	0
Adjusted opening net worth	**56,913**	**10,756**	**-38,676**	**-90,001**	**-127,594**
Net operating balance	-28,504	-47,601	-49,687	-35,612	-25,306
Other economic flows – Included in operating result					
Net gains from sale of assets	874	43	56	21	56
Other gains	-13,235	3,354	3,305	3,754	3,818
Swap interest	866	348	177	94	76
Net write-down and impairment of assets and fair value losses	-4,089	-3,903	-4,069	-4,268	-4,608
Net foreign exchange losses	-143	-5	0	0	0
Net losses from sale of assets	-11	3	9	7	-25
Swap interest expense	-890	-161	-84	-46	-37
Total other economic flows	**-16,628**	**-321**	**-605**	**-437**	**-719**
Operating result(b)	**-45,132**	**-47,922**	**-50,292**	**-36,049**	**-26,026**
Other economic flows - other movements in equity(c)	-1,025	-1,511	-1,033	-1,544	-1,365
Comprehensive result	**-46,157**	**-49,432**	**-51,325**	**-37,593**	**-27,391**

(a) Reflects an increase in the superannuation liability mainly due to a difference in the discount rate used and change in demographics.
(b) Operating result under AEIFRS accounting standards.
(c) Other economic flows not included in the AEIFRS accounting standards operating result.

Note 14: Advances paid and receivables

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Advances paid					
Loans to State and Territory governments	3,153	3,053	2,953	2,854	2,747
Higher Education Loan Program	11,196	12,014	12,663	13,132	13,431
Student Financial Supplement Scheme	857	818	776	732	685
Other	6,872	8,175	9,300	9,243	8,416
less Provision for doubtful debts	131	188	154	143	131
Total advances paid	**21,948**	**23,873**	**25,538**	**25,818**	**25,148**
Other receivables					
Goods and services receivable	835	783	752	736	745
Recoveries of benefit payments	2,633	2,733	2,803	2,858	2,944
Taxes receivable	18,748	21,556	24,384	30,932	41,243
Other	12,119	13,222	12,715	13,099	13,540
less Provision for doubtful debts	1,627	1,669	1,679	1,681	1,725
Total other receivables	**32,708**	**36,626**	**38,975**	**45,944**	**56,747**

Note 15: Investments, loans and placements

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Investments - deposits	32,427	30,870	23,733	23,274	22,950
IMF quota	7,192	7,192	7,192	7,192	7,192
Other	62,887	62,353	61,383	62,029	63,785
Total investments, loans and placements	**102,506**	**100,415**	**92,308**	**92,496**	**93,927**

Note 16: Total non-financial assets

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Land and buildings					
Land	7,994	7,568	7,579	7,624	7,570
Buildings	18,967	20,227	21,139	22,375	22,791
Total land and buildings	**26,961**	**27,795**	**28,719**	**29,999**	**30,361**
Plant, equipment and infrastructure					
Specialist military equipment	34,082	37,178	41,483	45,941	50,315
Other	10,384	10,678	10,692	10,534	9,769
Total plant, equipment and infrastructure	**44,465**	**47,856**	**52,175**	**56,475**	**60,084**
Intangibles					
Computer software	2,382	2,509	2,455	2,414	2,301
Other	719	1,242	1,724	2,147	2,585
Total intangibles	**3,101**	**3,752**	**4,179**	**4,561**	**4,885**
Total heritage and cultural assets	**8,286**	**8,376**	**8,419**	**8,460**	**8,500**
Total investment properties	**168**	**143**	**125**	**109**	**422**
Total biological assets	**29**	**30**	**31**	**32**	**32**
Inventories					
Inventories held for sale	729	732	743	644	647
Inventories not held for sale	5,794	6,190	6,366	6,568	6,968
Total inventories	**6,523**	**6,921**	**7,108**	**7,213**	**7,614**
Total assets held for sale	**552**	**545**	**530**	**522**	**513**
Other non-financial assets					
Prepayments	2,854	1,658	1,347	1,020	863
Other	148	216	457	465	441
Total other non-financial assets	**3,003**	**1,874**	**1,804**	**1,485**	**1,304**
Total non-financial assets	**93,088**	**97,292**	**103,090**	**108,857**	**113,716**

Note 17: Loans

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Promissory notes	5,075	5,080	5,118	5,156	5,195
Special drawing rights	1,046	1,046	1,046	1,046	1,046
Other	2,050	2,048	2,079	1,754	1,830
Total loans	**8,170**	**8,173**	**8,243**	**7,956**	**8,071**

Note 18: Employee and superannuation liabilities

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Total superannuation liability	**118,401**	**122,423**	**126,499**	**130,575**	**134,672**
Other employee liabilities					
Leave and other entitlements	5,563	5,758	6,058	6,393	6,764
Accrued salaries and wages	393	445	464	478	486
Workers compensation claims	1,728	1,709	1,687	1,676	1,675
Separations and redundancies	78	49	44	44	43
Other	1,657	1,764	1,874	1,989	2,117
Total other employee liabilities	**9,419**	**9,725**	**10,127**	**10,580**	**11,085**
Total employee and superannuation liabilities	**127,820**	**132,148**	**136,626**	**141,155**	**145,757**

Note 19: Provisions and payables

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Suppliers payable					
Trade creditors	3,491	3,471	3,555	3,639	3,678
Operating lease rental payable	141	142	141	140	142
Other creditors	26	27	39	40	41
Total suppliers payable	**3,658**	**3,639**	**3,736**	**3,819**	**3,861**
Total personal benefits payable	**14,222**	**12,490**	**12,995**	**13,900**	**14,977**
Total subsidies payable	**1,586**	**1,659**	**1,937**	**1,991**	**2,076**
Grants payable					
State and Territory governments	170	170	170	170	170
Non-profit organisations	18	18	18	18	18
Private sector	450	425	425	425	425
Overseas	613	464	467	403	472
Local governments	4	4	4	4	4
Other	5,490	5,429	5,396	5,356	5,294
Total grants payable	**6,746**	**6,511**	**6,481**	**6,377**	**6,384**
Other provisions and payables					
Provisions for tax refunds	2,033	2,063	2,083	2,088	2,098
Other	5,620	5,761	6,787	9,867	21,581
Total other provisions and payables	**7,653**	**7,824**	**8,870**	**11,955**	**23,679**

Note 20: Reconciliation of cash

	Estimates			Projections	
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Operating balance (revenues less expenses)	**-28,504**	**-47,601**	**-49,687**	**-35,612**	**-25,307**
less **Revenues not providing cash**					
Other	617	738	781	796	845
Total revenues not providing cash	**617**	**738**	**781**	**796**	**845**
plus **Expenses not requiring cash**					
Increase/(decrease) in employee entitlements	4,499	4,397	4,472	4,525	4,601
Depreciation/amortisation expense	5,520	5,634	5,570	5,343	5,430
Mutually agreed write-downs	1,717	1,657	1,738	1,833	1,919
Other	569	871	726	642	367
Total expenses not requiring cash	**12,305**	**12,559**	**12,506**	**12,344**	**12,318**
plus **Cash provided / (used) by working capital items**					
Decrease / (increase) in inventories	-131	-251	-55	-54	-361
Decrease / (increase) in receivables	-5,576	-7,886	-6,385	-11,035	-15,033
Decrease / (increase) in other financial assets	330	-136	-304	-451	-579
Decrease / (increase) in other non-financial assets	504	886	-18	45	-82
Increase / (decrease) in benefits, subsidies and grants payable	2,503	-1,970	1,006	853	1,543
Increase / (decrease) in suppliers' liabilities	133	-19	97	83	42
Increase / (decrease) in other provisions and payables	-37	907	715	3,882	12,635
Net cash provided / (used) by working capital	**-2,274**	**-8,469**	**-4,943**	**-6,678**	**-1,834**
equals (Net cash from/(to) operating activities)	-19,090	-44,249	-42,906	-30,743	-15,668
plus (Net cash from/(to) investing activities)	-28,825	-13,739	-9,361	-18,188	-10,003
Net cash from operating activities and investment	**-47,915**	**-57,988**	**-52,267**	**-48,931**	**-25,671**
plus (Net cash from/(to) financing activities)	47,414	57,731	52,754	49,515	25,997
equals **Net increase/(decrease) in cash**	**-501**	**-257**	**487**	**584**	**326**
Cash at the beginning of the year	**2,039**	**1,538**	**1,282**	**1,769**	**2,353**
Net increase/(decrease) in cash	-501	-257	487	584	326
Cash at the end of the year	**1,538**	**1,282**	**1,769**	**2,353**	**2,679**

Note 20(a): Consolidated Revenue Fund

The estimated and projected cash balances reflected in the balance sheet for the Australian Government GGS (Table 2) include the reported cash balances controlled and administered by Australian Government agencies subject to the *Financial Management and Accountability Act 1997*, and the reported cash balances controlled and administered by entities subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act), that implement public policy through the provision of primarily non-market services.

Revenues or monies raised by the Executive Government automatically form part of the Consolidated Revenue Fund by force of section 81 of the Australian Constitution. For practical purposes, total Australian Government GGS cash, less cash controlled and administered by CAC Act entities, plus special public monies, represents the Consolidated Revenue Fund referred to in section 81 of the Australian Constitution. On this basis, the balance of the Consolidated Revenue Fund is shown below.

	Estimates		Projections		
	2008-09	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m	$m
Total general government sector cash	1,538	1,282	1,769	2,353	2,679
less CAC Agency cash balances	919	854	793	826	884
plus Special public monies	147	158	159	161	163
Balance of Consolidated Revenue Fund at 30 June	**766**	**586**	**1,135**	**1,688**	**1,958**

Further information on the Consolidated Revenue Fund is included in Budget Paper No. 4, *Agency Resourcing 2009-10*.

APPENDIX A: FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The *Charter of Budget Honesty Act 1998* (the Charter) requires the budget to be based on external reporting standards. Budget papers prior to 2008-09 contained three sets of financial statements prepared according to both the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) framework and Australian Accounting Standards (AAS). In 2007, the Australian Accounting Standards Board (AASB) released *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) aiming to harmonise ABS GFS and AAS in a single set of financial statements.

The Government has produced a single set of financial statements that comply with both ABS GFS and AAS, meeting the requirement of the Charter, with departures disclosed. The statements reflect the Government's accounting policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

AASB 1049 and the Accrual Uniform Presentation Framework (UPF) also provide a basis for reporting of the public non-financial corporations (PNFC), public financial corporations (PFC) and total non-financial public sectors (NFPS).

General Government Sector Financial Reporting (AASB 1049)

The budget primarily focuses on the financial performance and position of the general government sector (GGS). The ABS defines the GGS as providing public services which are mainly non-market in nature, mainly for the collective consumption of the community, involving the transfer or redistribution of income and financed mainly through taxes and other compulsory levies. AASB 1049 recognises the GGS as a reporting entity.

AASB 1049 history and conceptual framework

The Australian Accounting Standards Board (AASB) released AASB 1049 for application from the 2008-09 financial year. AASB 1049 seeks to 'harmonise' ABS GFS and AAS.

The reporting framework for AASB 1049 requires the preparation of accrual-based general purpose financial reports, showing government assets, liabilities, revenue, expenses and cash flows. GGS reporting under AASB 1049 aims to provide users with information about the stewardship of each government in relation to its GGS and accountability for the resources entrusted to it; information about the financial position, performance and cash flows of each government's GGS; and information that facilitates assessments of the macroeconomic impact. While AASB 1049 provides a basis for whole-of-government and GGS outcome reporting (including the PNFC and PFC sectors), budget reporting focuses on the GGS.

The Government's budget reporting framework

There are three main general purpose statements that must be prepared in accordance with ABS GFS and AASB 1049. These are:

- an operating statement, including other economic flows, which shows net operating balance and net lending/borrowing (fiscal balance);
  - to allow the presentation of a single set of financial statements in accordance with AASB 1049 the ABS GFS statement of other economic flows has been incorporated into the operating statement;
- a balance sheet, which also shows net worth, net financial worth, net financial liabilities and net debt; and
- a cash flow statement, which includes the calculation of the underlying cash balance.

In addition to these general purpose statements, notes to the financial statements are required. These notes include a summary of accounting policies, disaggregated information and other disclosures required by AAS. A full set of notes and other disclosures required by AAS are included in the annual consolidated financial statements.

All financial data presented in the financial statements are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or other economic flows). Transactions result from a mutually agreed interaction between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets less liabilities) are reported as revenues and expenses respectively in the operating statement.[1]

A change to the value or volume of an asset or liability that does not result from a transaction is an other economic flow. This can include changes in values from market prices, most actuarial valuations, exchange rates and changes in volumes from discoveries, depletion and destruction. All other economic flows are reported in the operating statement.

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1 Not all transactions impact on net worth. For example, transactions in financial assets and liabilities do not impact on net worth as they represent the swapping of assets and liabilities on the balance sheet.

Consistent with the ABS GFS framework, and in general AAS, the financial statements record flows in the period in which they occur. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods and can be reliably assigned to the relevant period(s).

Operating statement

The operating statement presents details of transactions in revenues, expenses, the net acquisition of non-financial assets (net capital investment) and other economic flows for an accounting period.

Revenues arise from transactions that increase net worth and expenses arise from transactions that decrease net worth. Revenues less expenses gives the net operating balance. The net operating balance is similar to the National Accounts concept of government saving plus capital transfers.

The net acquisition of non-financial assets (net capital investment) measures the change in the Australian Government's stock of non-financial assets owing to transactions. As such, it measures the net effect of purchases, sales and consumption (for example, depreciation of fixed assets and use of inventory) of non-financial assets during an accounting period.

Net acquisition of non-financial assets equals gross fixed capital formation, less depreciation, plus changes (investment) in inventories, plus other transactions in non-financial assets.

Other economic flows are presented in the operating statement and outline changes in net worth that are driven by economic flows other than revenues and expenses. Revenues, expenses and other economic flows sum to the total change in net worth during a period. The majority of other economic flows for the Australian Government GGS arise from price movements in its assets and liabilities.

Fiscal balance

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. Thus, the fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets. [2]

The fiscal balance measures the Australian Government's investment-saving balance. It measures in accrual terms the gap between government savings plus net capital transfers, and investment in non-financial assets. As such, it approximates the

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2 The net operating balance includes consumption of non-financial assets because depreciation is an expense. Depreciation also forms part of net capital investment, which (in the calculation of fiscal balance) offsets the inclusion of depreciation in the net operating balance.

contribution of the Australian Government GGS to the balance on the current account in the balance of payments.

Balance sheet

The balance sheet shows stocks of assets, liabilities and net worth. In accordance with the UPF, net debt, net financial worth and net financial liabilities are also reported in the balance sheet.

Net worth

The net worth of the GGS, PNFC and PFC sectors is defined as assets less liabilities. This differs from the ABS GFS definition for the PNFC and PFC sectors where net worth is defined as assets less liabilities less shares and other contributed capital. Net worth is an economic measure of wealth, reflecting the Australian Government's contribution to the wealth of Australia.

Net financial worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities. This differs from the ABS GFS definition of net financial worth for the PNFC and PFC sectors, defined as financial assets less liabilities less shares less other contributed capital. Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as holdings of equity. Net financial worth includes all classes of financial assets and all liabilities, only some of which are included in net debt. As non-financial assets are excluded from net financial worth, this is a narrower measure than net worth. However, it avoids the concerns inherent with the net worth measure relating to the valuation of non-financial assets and their availability to offset liabilities.

Net financial liabilities

Net financial liabilities comprises total liabilities less financial assets but excludes equity investments in the other sectors of the jurisdiction. Net financial liabilities is a more accurate indicator than net debt of a jurisdiction's fiscal position as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors of government results in a purer measure of financial worth than net financial worth as, in general, the net worth of other sectors of government, in particular the PNFC sector, is backed up by physical assets.

Net debt

Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans, and other borrowings) less the sum of selected financial assets[3] (cash and deposits, advances paid, and investments, loans and placements). Net debt does not include superannuation-related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

Cash flow statement

The cash flow statement identifies how cash is generated and applied in a single accounting period. The cash flow statement reflects a cash basis of recording (rather than an accrual basis) where information is derived indirectly from underlying accrual transactions and movements in balances. This, in effect, means that transactions are captured when cash is received or when cash payments are made. Cash transactions are specifically identified because cash management is considered an integral function of accrual budgeting.

Underlying cash balance

The underlying cash balance plus Future Fund earnings (ABS GFS cash surplus/deficit) is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance. This measure is conceptually equivalent under the current accrual framework and the previous cash framework. For the GGS, the underlying cash balance is calculated as shown below.

Net cash flows from operating activities
plus
Net cash flows from investments in non-financial assets
less
Net acquisitions of assets acquired under finance leases and similar arrangements[4]
equals
ABS GFS cash surplus/deficit
less
Future Fund earnings
equals
Underlying cash balance

3 Financial assets are defined as cash, an equity instrument of another entity, a contractual right to receive cash or financial asset, and a contract that will or may be settled in the entity's own equity instruments.

4 The underlying cash balance treats the acquisition and disposal of non-financial assets in the same manner regardless of whether they occur by purchase/sale or finance lease — acquisitions reduce the underlying cash balance and disposals increase the underlying cash balance. However, finance leases do not generate cash flows at the time of acquisition or disposal equivalent to the value of the asset. As such, net acquisitions of assets under finance leases are not shown in the body of the cash flow statement but are reported as a supplementary item for the calculation of the underlying cash balance.

The Government is reporting the underlying cash balance net of Future Fund earnings from 2005-06 onwards because the earnings will be reinvested to meet future superannuation payments and are therefore not available for current spending.

However, Future Fund earnings are included in the fiscal balance because superannuation expenses relating to future cash payments are recorded in the fiscal balance estimates.

Expected Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table 3 of this statement and the historic tables in Statement 10.

Headline cash balance

The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and Future Fund earnings to the underlying cash balance.

Cash flows from investments in financial assets for policy purposes include equity transactions and net advances.[5] Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the States, net loans to students under the Higher Education Loan Program, and contributions to international organisations that increase the Australian Government's financial assets.

Sectoral classifications

To assist in analysing the public sector, data are presented by institutional sector as shown in Figure 1. ABS GFS defines the GGS and the PNFC and PFC sectors. AASB 1049 has also adopted this sectoral reporting.

5 Cash flows from investments in financial assets for policy purposes were called net advances under the cash budgeting framework.

Figure 1: Institutional structure of the public sector

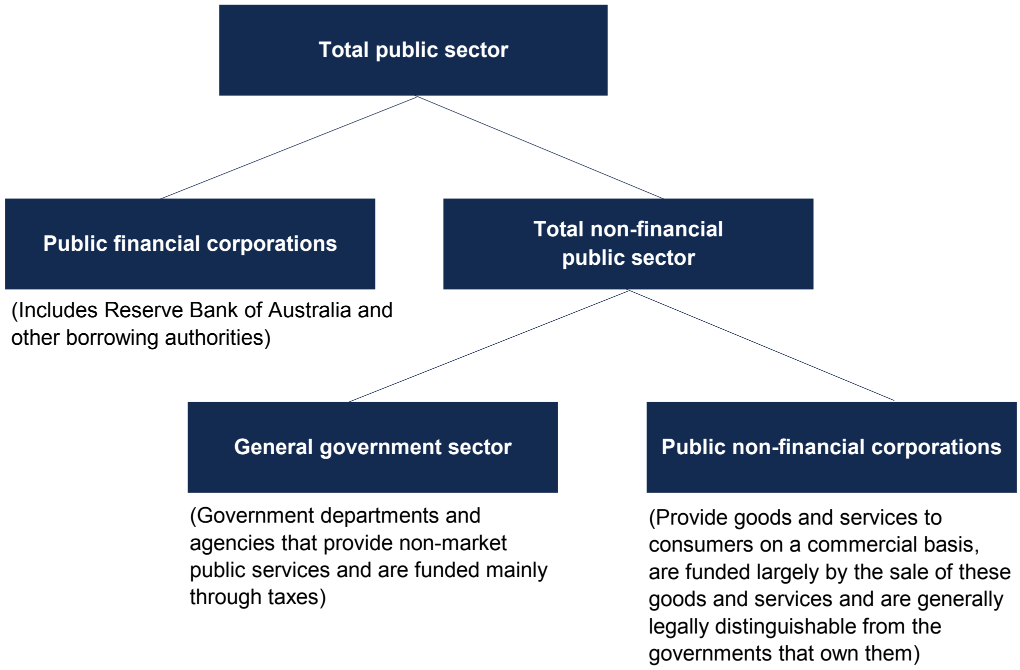

Table A1: Entities within the sectoral classifications

General government sector entities
Agriculture, Fisheries and Forestry Portfolio Australian Fisheries Management Authority, Australian Pesticides and Veterinary Medicines Authority, Australian Wine and Brandy Corporation, Biosecurity Australia, Cotton Research and Development Corporation, Dairy Adjustment Authority, Department of Agriculture, Fisheries and Forestry, Fisheries Research and Development Corporation, Grains Research and Development Corporation, Grape and Wine Research and Development Corporation, Land and Water Resources Research and Development Corporation, Rural Industries Research and Development Corporation, Sugar Research and Development Corporation, Wheat Exports Australia
Attorney-General's Portfolio Administrative Appeals Tribunal, Attorney-General's Department, Australian Commission for Law Enforcement Integrity, Australian Crime Commission, Australian Customs and Border Protection Service, Australian Federal Police, Australian Human Rights Commission, Australian Institute of Criminology, Australian Law Reform Commission, Australian Security Intelligence Organisation, Australian Transaction Reports and Analysis Centre (AUSTRAC), Criminology Research Council, CrimTrac Agency, Family Court of Australia, Federal Court of Australia, Federal Magistrates Court of Australia, High Court of Australia, Insolvency and Trustee Service Australia, National Capital Authority, National Native Title Tribunal, Office of Parliamentary Counsel, Office of the Commonwealth Director of Public Prosecutions
Broadband, Communications and the Digital Economy Portfolio Australian Broadcasting Corporation, Australian Communications and Media Authority, Department of Broadband, Communications and the Digital Economy, Special Broadcasting Service Corporation
Defence Portfolio AAF Company, Army and Air Force Canteen Service, Australian Military Forces Relief Trust Fund, Australian Strategic Policy Institute Limited, Australian War Memorial, Defence Housing Australia, Defence Materiel Organisation, Department of Defence, Department of Veterans Affairs, RAAF Welfare Recreational Company, Royal Australian Air Force Veterans' Residences Trust Fund, Royal Australian Air Force Welfare Trust Fund, Royal Australian Navy Central Canteens Board, Royal Australian Navy Relief Trust Fund

Table A1: Entities within the sectoral classifications (continued)

General government sector entities (continued)

Education, Employment and Workplace Relations Portfolio

Australian Fair Pay Commission Secretariat, Australian Industrial Registry, Comcare, Department of Education, Employment and Workplace Relations, Fair Work Australia, Office of the Australian Building and Construction Commissioner, Office of Fair Work Ombudsman, Office of the Workplace Ombudsman, Safe Work Australia, Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority), Teaching Australia — Australian Institute for Teaching and School Leadership Limited, Australian Learning and Teaching Council Limited, Workplace Authority

Environment, Water, Heritage and the Arts Portfolio

Australia Business Arts Foundation Ltd, Australia Council, Australian Film, Television and Radio School, Australian National Maritime Museum, Bundanon Trust, Bureau of Meteorology, Department of Environment, Water, Director of National Parks, Great Barrier Reef Marine Park Authority, Heritage and the Arts, Murray-Darling Basin Authority, National Film and Sound Archive, National Gallery of Australia, National Library of Australia, National Museum of Australia, National Water Commission, Screen Australia, Sydney Harbour Federation Trust

Families, Housing, Community Services and Indigenous Affairs Portfolio

Aboriginal Hostels Limited, Anindilyakwa Land Council, Central Land Council, Department of Families, Housing, Community Services and Indigenous Affairs, Equal Opportunity for Women in the Workplace Agency, Indigenous Business Australia, Indigenous Land Corporation, Northern Land Council, Tiwi Land Council, Torres Strait Regional Authority, Wreck Bay Aboriginal Community Council

Finance and Deregulation Portfolio

Australian Electoral Commission, Australian Reward Investment Alliance, Comsuper, Department of Finance and Deregulation, Future Fund Management Agency, Telstra Sale Company Limited[(a)], Tuggeranong Office Park Pty Limited

Foreign Affairs and Trade Portfolio

AusAID, Australian Centre for International Agricultural Research, Australian Secret Intelligence Service, Australian Trade Commission, Department of Foreign Affairs and Trade, Export Finance and Insurance Corporation National Interest Account[(b)]

(a) This entity will be wound down by June 2009.
(b) This entity was reclassified from the public financial corporation sector to the general government sector at the *Mid-Year Economic and Fiscal Outlook 2007-08*.

Table A1: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Health and Ageing Portfolio Aged Care Standards and Accreditation Agency Ltd, Australian Institute of Health and Welfare, Australian Organ and Tissue Donation and Transplantation Authority, Australian Radiation Protection and Nuclear Safety Agency, Australian Sports Anti-Doping Authority, Australian Sports Commission, Cancer Australia, Department of Health and Ageing, Food Standards Australia New Zealand, General Practice Education and Training Limited, National Blood Authority, National Breast and Ovarian Cancer Centre, National Health and Medical Research Council, Private Health Insurance Administration Council, Private Health Insurance Ombudsman, Professional Services Review Scheme
Human Services Portfolio Centrelink (Commonwealth Service Delivery Agency), Department of Human Services, Medicare Australia
Immigration and Citizenship Portfolio Department of Immigration and Citizenship, Migration Review Tribunal and Refugee Review Tribunal
Infrastructure, Transport, Regional Development and Local Government Portfolio Australian Maritime Safety Authority, Australian Transport Safety Bureau, Civil Aviation Safety Authority, Department of Infrastructure, Transport, Regional Development and Local Government
Innovation, Industry, Science and Research Portfolio Australian Institute of Aboriginal and Torres Strait Islander Studies, Australian Institute of Marine Science, Australian Nuclear Science and Technology Organisation, Australian Research Council, Commonwealth Scientific and Industrial Research Organisation, Department of Innovation, Industry, Science and Research, IIF Bio Ventures Pty Limited, IIF (CM) Investments Pty Limited, IIF Foundation Pty Limited, IIF Investments Pty Limited, IIF Neo Pty Limited, IP Australia
Prime Minister and Cabinet Portfolio Australian Institute of Family Studies, Australian National Audit Office, Australian Public Service Commission, Department of Climate Change, Department of the Prime Minister and Cabinet, National Archives of Australia, National Australia Day Council Limited, Office of the Commonwealth Ombudsman, Office of National Assessments, Office of the Inspector-General of Intelligence and Security, Office of the Official Secretary to the Governor-General, Office of the Privacy Commissioner, Office of Renewable Energy Regulator, Old Parliament House

Table A1: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Resources, Energy and Tourism Portfolio Department of Resources, Energy and Tourism, Geoscience Australia, National Offshore Petroleum Safety Authority, Tourism Australia
Treasury Portfolio Australian Bureau of Statistics, Australian Competition and Consumer Commission, Australian Office of Financial Management, Australian Prudential Regulation Authority, Australian Securities and Investments Commission, Australian Taxation Office, Commonwealth Grants Commission, Corporations and Markets Advisory Committee, Department of the Treasury, Inspector-General of Taxation, National Competition Council, Office of the Auditing and Assurance Standards Board, Office of the Australian Accounting Standards Board, Productivity Commission, Royal Australian Mint
Parliamentary Departments Department of Parliamentary Services, Department of the House of Representatives, Department of the Senate
Public financial corporations
Education, Employment and Workplace Relations Portfolio Coal Mining Industry (Long Service Leave Funding) Corporation Finance and Deregulation Portfolio Australian Industry Development Corporation, Medibank Private Ltd Foreign Affairs and Trade Portfolio Export Finance and Insurance Corporation Treasury Portfolio Australia Reinsurance Pool Corporation, Reserve Bank of Australia

Table A1: Entities within the sectoral classifications (continued)

Public non-financial corporations
Attorney-General's Portfolio
Australian Government Solicitor
Broadband, Communications and the Digital Economy Portfolio[(c)]
Australian Postal Corporation
Finance and Deregulation Portfolio
Australian River Co. Ltd, ASC Pty Ltd, Australian Technology Group Ltd
Human Services Portfolio
Australian Hearing Services, Health Services Australia Ltd
Infrastructure, Transport, Regional Development and Local Government Portfolio
Airservices Australia, Australian Rail Track Corporation Ltd

(c) The public non-financial corporations include the company established to roll-out and operate the national broadband network.

Differences between ABS GFS and AAS framework (AASB 1049)

AASB 1049 has adopted the AAS conceptual framework and principles for the recognition of assets, liabilities, revenues and expenses and their presentation, measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, over-riding AASB 127 *Consolidated and Separate Financial Statements*. AASB 1049 also follows ABS GFS by requiring changes in net worth to be split into either transactions or 'other economic flows' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards (SNA93) and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2001*.[6]

Some of the major differences between AASB 1049 and the ABS GFS treatments of transactions are outlined in Table A2. Further information on the differences between the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

Table A2: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Acquisition of defence weapons platforms	Treated as capital expenditure. Defence weapons platforms appear as an asset on the balance sheet. Depreciation expense on assets is recorded in the operating statement.	Treated as an expense at the time of acquisition. Defence weapons platforms do not appear as an asset on the balance sheet and no depreciation is recorded in the operating statement. ABS is updating its treatment from September 2009 and will align with AAS.	AAS, early adoption of revised ABS GFS
Circulating coins — seigniorage	The profit between the cost and sale of circulating coin (seigniorage) is treated as revenue.	Circulating coin is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Special Drawing Rights (SDR)	SDR currency issued by the International Monetary Fund (IMF) is treated as a liability.	SDR currency issued by the IMF is treated as a contingent liability. ABS is updating its treatment from September 2009 and will align with AAS.	AAS, early adoption of revised ABS GFS
Provisions for bad and doubtful debts	Treated as part of operating expenses and included in the balance sheet as an offset to assets.	Creating provisions is not considered an economic event and therefore not considered to be an expense or reflected in the balance sheet.	AAS

6 Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

Table A2: Major differences between AAS and ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Advances to the International Development Association/ Asian Development Fund	Recorded at fair value in the balance sheet.	Recorded at nominal value in balance sheet.	ABS GFS
Concessional loans	Discounts concessional loans by a market rate of a similar instrument.	Does not discount concessional loans as no secondary market is considered to exist.	AAS
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	AAS
Fiscal aggregates differences			
Finance leases	Does not deduct finance leases in the derivation of the cash surplus/deficit.	Deducts finance leases in the derivation of the cash surplus/deficit.	Both are disclosed
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
Classification difference			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	AAS

APPENDIX B: AUSTRALIAN LOAN COUNCIL ALLOCATION

Under Loan Council arrangements, every year the Commonwealth and each State and Territory government nominate a Loan Council Allocation. A jurisdiction's Loan Council Allocation incorporates:

- the estimated non-financial sector ABS GFS cash surplus/deficit (made up from the general government and public non-financial corporations sector balances and acquisitions under finance leases and similar arrangements);
- net cash flows from investments in financial assets for policy purposes; and
- memorandum items, which involve transactions that are not formally borrowings but nevertheless have many of the characteristics of borrowings.

Loan Council Allocation nominations are considered by the Loan Council, having regard to each jurisdiction's fiscal position and the macroeconomic implications of the aggregate figure.

As set out in Table B1, the Commonwealth's 2009-10 Loan Council Allocation budget update is a $60,965 million deficit. This compares with its Loan Council Allocation nomination of a $34,073 million deficit endorsed by Loan Council on 25 March 2009.

The Loan Council Allocation budget update falls outside the tolerance limit set at nomination. This change primarily reflects the decline in taxation revenues resulting from the global recession and the increase in payments associated with the Government's economic stimulus packages in response to the downturn in economic conditions.

Table B1: Commonwealth's Loan Council Allocation budget update for 2009-10

		2009-10 Nomination	2009-10 Budget estimate
		$m	$m
	GG sector cash surplus(-)/deficit(+)	32,452	54,660
	PNFC sector cash surplus(-)/deficit(+)	980	2,258
	NFPS cash surplus(-)/deficit(+)(a)	33,432	56,918
	Acquisitions under finance leases and similar arrangements	499	1
equals	ABS GFS cash surplus(-)/deficit(+)	33,931	56,919
minus	Net cash flows from investments in financial assets for policy purposes(b)	-995	-5,089
plus	Memorandum items(c)	-853	-1,043
	Loan Council Allocation	**34,073**	**60,965**

(a) May not directly equate to the sum of the GG sector and the PNFC sector cash surplus/deficit due to intersectoral transfers which are netted out.

(b) Net cash flow from investments in financial assets for policy purposes are displayed with the same sign as they are reported in cash flow statements. Such transactions involve the transfer or exchange of a financial asset and are not included within the ABS GFS cash surplus/deficit. However, the cash flow from investments in financial assets for policy purposes has implications for a government's call on financial markets.

(c) For the Commonwealth's Loan Council Allocation, memorandum items include the change in net present value (NPV) of operating leases (with NPV greater than $5 million), the over-funding of superannuation and the net financing requirement of the Australian National University.