APPENDIX B: AUSTRALIAN GOVERNMENT BUDGET FINANCIAL STATEMENTS

The Mid-Year Economic and Fiscal Outlook (MYEFO) 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 MYEFO be based on external reporting standards and for departures from these standards to be disclosed. The Government has produced financial statements that comply with both Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS), meeting the requirement of the Charter, with departures disclosed. The statements for MYEFO have been prepared on a consistent basis with the 2009-10 Budget. 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 MYEFO 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.

AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

Table B1: Australian Government general government sector operating statement

		Estimates		Projections	
		2009-10	2010-11	2011-12	2012-13
	Note	$m	$m	$m	$m
Revenue					
Taxation revenue	3	267,508	284,337	316,293	345,345
Sales of goods and services	4	7,953	8,565	8,642	8,485
Interest income	5	4,749	4,856	4,911	4,889
Dividend income	5	7,384	2,228	2,206	2,227
Other	6	4,229	3,909	3,886	3,910
Total revenue		**291,823**	**303,895**	**335,937**	**364,854**
Expenses					
Gross operating expenses					
Wages and salaries(a)	7	16,840	16,854	16,922	17,079
Superannuation	7	3,410	3,507	3,577	3,653
Depreciation and amortisation	8	5,572	5,500	5,278	5,368
Supply of goods and services	9	64,120	63,598	66,419	68,293
Other operating expenses(a)	7	4,764	4,972	5,178	5,350
Total gross operating expenses		*94,707*	*94,432*	*97,374*	*99,744*
Superannuation interest expense	7	6,792	7,016	7,245	7,489
Interest expenses	10	8,263	11,127	13,811	15,287
Current transfers					
Current grants	11	101,407	105,270	110,548	115,425
Subsidy expenses		8,301	8,761	10,160	12,229
Personal benefits	12	98,509	104,345	110,328	119,071
Total current transfers		*208,217*	*218,376*	*231,036*	*246,725*
Capital transfers	11				
Mutually agreed write-downs		1,777	1,878	2,006	2,137
Other capital grants		20,410	12,152	7,034	6,693
Total capital transfers		*22,187*	*14,030*	*9,039*	*8,830*
Total expenses		**340,166**	**344,980**	**358,505**	**378,075**
Net operating balance		**-48,344**	**-41,085**	**-22,568**	**-13,221**
Other economic flows					
Revaluation of equity(b)		3,659	2,416	2,726	3,087
Net write-down and impairment of assets and fair value losses		-5,050	-4,543	-4,741	-5,158
Assets recognised for the first time		287	267	223	213
Actuarial revaluations		-1	0	0	0
Net foreign exchange gains		-572	-1	0	0
Net swap interest received		39	0	0	0
Market valuation of debt		762	-466	-422	-285
Other economic revaluations(c)		155	-46	-181	-196
Total other economic flows		**-721**	**-2,373**	**-2,395**	**-2,338**
Comprehensive result - Total change in net worth	13	**-49,065**	**-43,458**	**-24,963**	**-15,559**

Table B1: Australian Government general government sector operating statement (continued)

		Estimates		Projections	
		2009-10	2010-11	2011-12	2012-13
	Note	$m	$m	$m	$m
Net operating balance		**-48,344**	**-41,085**	**-22,568**	**-13,221**
Net acquisition of non-financial assets					
Purchases of non-financial assets		11,153	10,828	10,744	9,833
less Sales of non-financial assets		309	321	290	174
less Depreciation		5,572	5,500	5,278	5,368
plus Change in inventories		663	195	242	461
plus Other movements in non-financial assets		97	235	176	-14
Total net acquisition of non-financial assets		**6,033**	**5,437**	**5,593**	**4,738**
Fiscal balance (Net lending/borrowing)(d)		**-54,377**	**-46,522**	**-28,161**	**-17,958**

(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) Revaluations 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 B2: Australian Government general government sector balance sheet

		Estimates		Projections	
		2009-10	2010-11	2011-12	2012-13
	Note	$m	$m	$m	$m
Assets					
Financial assets					
Cash and deposits	20(a)	1,820	1,799	1,963	2,105
Advances paid	14	23,425	24,217	24,418	24,548
Investments, loans and placements	15	105,219	110,939	110,158	106,918
Other receivables	14	38,529	38,730	44,272	52,411
Equity investments					
Investments in other public sector entities		26,855	30,526	36,751	36,776
Equity accounted investments		261	261	261	261
Investments - shares		28,586	25,854	22,465	23,081
Total financial assets		*224,694*	*232,326*	*240,288*	*246,101*
Non-financial assets	16				
Land		8,224	8,143	8,018	7,993
Buildings		20,648	21,503	22,683	23,347
Plant, equipment and infrastructure		47,271	51,073	55,029	58,300
Inventories		6,862	7,028	7,203	7,598
Intangibles		4,120	4,358	4,653	5,060
Investment properties		167	167	168	168
Biological assets		32	33	34	34
Heritage and cultural assets		9,122	9,165	9,207	9,246
Assets held for sale		128	130	130	130
Other non-financial assets		2,158	1,982	1,520	1,358
Total non-financial assets		*98,732*	*103,581*	*108,643*	*113,233*
Total assets		**323,426**	**335,908**	**348,932**	**359,334**
Liabilities					
Interest bearing liabilities					
Deposits held		230	230	230	230
Government securities		162,486	214,266	245,780	256,422
Loans	17	12,093	12,091	11,610	11,728
Other borrowing		826	765	732	687
Total interest bearing liabilities		*175,634*	*227,351*	*258,352*	*269,068*
Provisions and payables					
Superannuation liability	18	122,349	126,426	130,503	134,600
Other employee liabilities	18	9,828	10,211	10,664	11,158
Suppliers payable	19	3,716	3,815	3,906	3,948
Personal benefits payable	19	12,782	13,071	13,646	14,692
Subsidies payable	19	1,752	2,092	2,307	2,401
Grants payable	19	6,564	6,767	6,908	7,172
Other provisions and payables	19	13,843	12,675	14,109	23,318
Total provisions and payables		*170,835*	*175,057*	*182,043*	*197,289*
Total liabilities		**346,469**	**402,408**	**440,395**	**466,357**
Net worth(a)		**-23,043**	**-66,501**	**-91,464**	**-107,023**
Net financial worth(b)		*-121,774*	*-170,082*	*-200,107*	*-220,256*
Net financial liabilities(c)		*148,629*	*200,608*	*236,858*	*257,032*
Net debt(d)		*45,171*	*90,396*	*121,814*	*135,497*

(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 B3: Australian Government general government sector cash flow statement[(a)]

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Cash receipts from operating activities				
Taxes received	259,739	276,716	304,939	335,594
Receipts from sales of goods and services	7,941	8,559	8,646	8,466
Interest receipts	4,684	4,684	4,808	4,898
Dividends and income tax equivalents	6,885	3,076	2,297	2,321
Other receipts	4,050	3,775	3,673	3,762
Total operating receipts	**283,299**	**296,810**	**324,363**	**355,041**
Cash payments for operating activities				
Payments for employees	-22,965	-23,321	-23,682	-24,149
Payments for goods and services	-63,192	-62,005	-64,782	-67,393
Grants and subsidies paid	-129,319	-125,444	-126,467	-129,920
Interest paid	-6,635	-9,658	-11,757	-13,105
Personal benefit payments	-100,773	-105,197	-110,920	-119,244
Other payments	-4,493	-4,614	-4,758	-4,871
Total operating payments	**-327,376**	**-330,239**	**-342,366**	**-358,682**
Net cash flows from operating activities	**-44,077**	**-33,429**	**-18,002**	**-3,640**
Cash flows from investments in non-financial assets				
Sales of non-financial assets	309	322	290	174
Purchases of non-financial assets	-11,015	-10,725	-10,640	-9,568
Net cash flows from investments in non-financial assets	**-10,706**	**-10,404**	**-10,350**	**-9,394**
Net cash flows from investments in financial assets for policy purposes	**-8,279**	**-7,637**	**-4,929**	**1,098**
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	3,337	1,301	3,736	3,024
Net cash flows from investments in financial assets for liquidity purposes	**3,337**	**1,301**	**3,736**	**3,024**
Cash receipts from financing activities				
Borrowing	55,902	50,951	30,643	9,944
Other financing	4,993	0	0	0
Total cash receipts from financing activities	**60,896**	**50,951**	**30,643**	**9,944**
Cash payments for financing activities				
Other financing	-1,004	-804	-933	-890
Total cash payments for financing activities	**-1,004**	**-804**	**-933**	**-890**
Net cash flows from financing activities	**59,891**	**50,147**	**29,710**	**9,054**
Net increase/(decrease) in cash held	**167**	**-21**	**164**	**142**

Table B3: Australian Government general government sector cash flow statement (continued)[(a)]

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Net cash flows from operating activities and investments in non-financial assets (surplus(+)/deficit(-))	**-54,783**	**-43,833**	**-28,352**	**-13,034**
Finance leases and similar arrangements(b)	-1	-31	-31	-20
GFS cash surplus(+)/deficit(-)	**-54,785**	**-43,864**	**-28,383**	**-13,054**
less Future Fund earnings	2,901	2,758	2,784	2,847
Equals underlying cash balance(c)	**-57,685**	**-46,622**	**-31,167**	**-15,901**
plus Net cash flows from investments in financial assets for policy purposes	-8,279	-7,637	-4,929	1,098
plus Future Fund earnings	2,901	2,758	2,784	2,847
Equals headline cash balance	**-63,064**	**-51,501**	**-33,313**	**-11,956**

(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 B4: Australian Government public non-financial corporations sector operating statement

	Estimates
	2009-10
	$m
Revenue	
Current grants and subsidies	21
Sales of goods and services	7,088
Interest income	28
Other	2
Total revenue	**7,139**
Expenses	
Gross operating expenses	
Wages and salaries(a)	3,139
Superannuation	169
Depreciation	406
Supply of goods and services	3,088
Total gross operating expenses	*6,802*
Interest expenses	36
Other property expenses	203
Current transfers	
Tax expenses	453
Total current transfers	*453*
Capital transfers	0
Total expenses	**7,494**
Net operating balance	**-354**
Other economic flows	**1,156**
Comprehensive result - Total change in net worth	**801**
Net acquisition of non-financial assets	
Purchases of non-financial assets	2,590
less Sales of non-financial assets	26
less Depreciation	406
plus Change in inventories	4
plus Other movements in non-financial assets	9
Total net acquisition of non-financial assets	**2,172**
Fiscal balance (Net lending/borrowing)(b)	**-2,526**

(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 B5: Australian Government public non-financial corporations sector balance sheet

	Estimates
	2009-10
	$m
Assets	
Financial assets	
Cash and deposits	625
Investments, loans and placements	522
Other receivables	918
Equity investments	311
Total financial assets	*2,376*
Non-financial assets	
Land and fixed assets	6,959
Other non-financial assets(a)	491
Total non-financial assets	*7,451*
Total assets	**9,827**
Liabilities	
Interest bearing liabilities	
Borrowing	1,370
Total interest bearing liabilities	*1,370*
Provisions and payables	
Other employee liabilities	1,180
Other provisions and payables	1,537
Total provisions and payables	*2,717*
Total liabilities	**4,087**
Shares and other contributed capital	**5,741**
Net worth(b)	**5,741**
Net financial worth(c)	*-1,710*
Net debt(d)	*222*

(a) Excludes the impact of commercial taxation adjustments.
(b) Under AASB 1049, 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 AASB 1049, net financial worth equals total financial assets minus total liabilities. 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, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table B6: Australian Government public non-financial corporations sector cash flow statement(a)

	Estimates
	2009-10
	$m
Cash receipts from operating activities	
Receipts from sales of goods and services	7,837
GST input credit receipts	383
Other receipts	44
Total operating receipts	**8,264**
Cash payments for operating activities	
Payments to employees	-3,302
Payment for goods and services	-3,847
Interest paid	-50
GST payments to taxation authority	-524
Other payments	-313
Total operating payments	**-8,036**
Net cash flows from operating activities	**228**
Cash flows from investments in non-financial assets	
Sales of non-financial assets	51
Purchases of non-financial assets	-2,603
Net cash flows from investments in non-financial assets	**-2,553**
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-10
Net cash flows from investments in financial assets for liquidity purposes	**-10**
Net cash flows from financing activities	
Borrowing (net)	384
Other financing (net)	1,856
Distribution paid (net)	-213
Net cash flows from financing activities	**2,027**
Net increase/(decrease) in cash held	**-308**
Cash at the beginning of the year	**933**
Cash at the end of the year	**625**
Net cash from operating activities and investments in non-financial assets	**-2,324**
Distributions paid	-213
Equals surplus(+)/deficit(-)	**-2,537**
Finance leases and similar arrangements(b)	0
GFS cash surplus(+)/deficit(-)	**-2,537**

(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 B7: Australian Government total non-financial public sector operating statement

	Estimates
	2009-10
	$m
Revenue	
Taxation revenue	267,055
Sales of goods and services	14,183
Interest income	4,777
Dividend income	7,181
Other	4,231
Total revenue	**297,427**
Expenses	
Gross operating expenses	
Wages and salaries(a)	19,980
Superannuation	3,579
Depreciation	5,977
Supply of goods and services	66,349
Other operating expenses(a)	4,764
Total gross operating expenses	*100,650*
Superannuation interest expense	6,792
Interest expenses	8,300
Current transfers	
Current grants	101,407
Subsidy expenses	8,280
Personal benefits	98,509
Total current transfers	*208,196*
Capital transfers	22,187
Total expenses	**346,125**
Net operating balance	**-48,698**
Other economic flows	**5,935**
Comprehensive result - Total change in net worth	**-42,763**
Net acquisition of non-financial assets	
Purchases of non-financial assets	13,744
less Sales of non-financial assets	335
less Depreciation	5,977
plus Change in inventories	667
plus Other movements in non-financial assets	106
Total net acquisition of non-financial assets	**8,205**
Fiscal balance (net lending/borrowing)(b)	**-56,902**

(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 B8: Australian Government total non-financial public sector balance sheet

	Estimates
	2009-10
	$m
Assets	
Financial assets	
Cash and deposits	2,446
Advances paid	23,425
Investments, loans and placements	105,741
Other receivables	39,358
Equity investments	50,272
Total financial assets	*221,242*
Non-financial assets	
Land and fixed assets	99,086
Other non-financial assets	7,097
Total non-financial assets	*106,183*
Total assets	**327,424**
Liabilities	
Interest bearing liabilities	
Deposits held	230
Government securities	162,486
Loans	12,093
Other borrowing	2,196
Total interest bearing liabilities	*177,004*
Provisions and payables	
Superannuation liability	122,349
Other employee liabilities	11,008
Other provisions and payables	40,106
Total provisions and payables	*173,463*
Total liabilities	**350,467**
Shares and other contributed capital	**5,741**
Net worth(a)	**-23,043**
Net financial worth(b)	*-129,225*
Net debt(c)	*45,393*

(a) Under AASB 1049, 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 AASB 1049, 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, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table B9: Australian total non-financial public sector cash flow statement[(a)]

	Estimates
	2009-10
	$m
Cash receipts from operating activities	
Taxes received	259,450
Receipts from sales of goods and services	14,203
Interest receipts	4,712
Dividends and income tax equivalents	6,686
Other receipts	4,052
Total operating receipts	**289,103**
Cash payments for operating activities	
Payments to employees	-26,267
Payments for goods and services	-65,604
Grants and subsidies paid	-129,319
Interest paid	-6,685
Personal benefit payments	-100,773
Other payments	-4,517
Total operating payments	**-333,165**
Net cash flows from operating activities	**-44,062**
Cash flows from investments in non-financial assets	
Sales of non-financial assets	360
Purchases of non-financial assets	-13,618
Net cash flows from investments in non-financial assets	**-13,259**
Net cash flows from investments in financial assets for policy purposes	**-8,279**
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	3,328
Net cash flows from investments in financial assets for liquidity purposes	**3,328**
Net cash flows from financing activities	
Borrowing (net)	56,286
Other financing (net)	5,845
Net cash flows from financing activities	**62,131**
Net increase/(decrease) in cash held	**-141**
Cash at the beginning of the year	**2,587**
Cash at the end of the year	**2,446**
Net cash from operating activities and investments in non-financial assets	**-57,321**
Distributions paid	0
Equals surplus(+)/deficit(-)	**-57,321**
Finance leases and similar arrangements(b)	-1
GFS cash surplus(+)/deficit(-)	**-57,322**

(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.

NOTES TO THE GENERAL GOVERNMENT SECTOR FINANCIAL STATEMENTS

Note 1: External reporting standards and accounting policies

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

The major external standards used for MYEFO 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, 2005* (cat. no. 5514.0), which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and

- Australian Accounting Standards (AAS), being AASB 1049 *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 ABS GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Attachment A. Table B11 in Attachment A explains the major 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 B10 in Attachment 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 the ABS GFS aggregates, the Accrual Uniform Presentation Framework (UPF) requires net debt, net financial worth and net financial liabilities.

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The MYEFO 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 financial statements or in any reconciliation notes because excluding such provisions would overstate the value of Australian Government assets in the balance sheet. The 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 financial statements or in any reconciliation notes. Instead, the 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 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 financial statements or any reconciliation notes. The 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 in line with revised international standards (see 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's proposed revisions to GFS from the September Quarter 2009 in line with revised international standards (see 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 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

AASB 1049 is mandatory for reporting periods beginning on or after 1 July 2008. The MYEFO financial statements have been presented on a basis consistent with the 2009-10 Budget. The following departures were made in the 2009-10 Budget and are required to be disclosed under the Charter.

AAS requires the advances paid to the International Development Association (IDA) and Asian Development Fund (ADF) 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. However, as 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 is disclosed in Attachment C of Part 3. In accordance with the UPF, purchases of non-financial assets by function are also disclosed.

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 effectively create two measures of the same aggregate.

AASB 1049 requires major variances between original budget estimates and outcomes to be explained. Explanations of variances for the 2009-10 year from the 2009-10 Budget are disclosed in Part 3. All decisions taken between the 2009-10 Budget and MYEFO are disclosed in Appendix A.

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). The net financial worth of this sector will also be different under AASB 1049 to ABS GFS, where it equals 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	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Income taxation				
Individuals and other withholding taxes				
Gross income tax withholding	119,290	125,540	136,620	148,310
Gross other individuals	29,050	29,390	31,360	34,130
less Refunds	25,270	24,470	25,840	28,540
Total individuals and other withholding taxation	123,070	130,460	142,140	153,900
Fringe benefits tax	3,430	3,560	3,760	4,030
Superannuation funds	6,690	8,190	9,800	10,910
Company tax	54,670	58,930	69,450	75,870
Petroleum resource rent tax	1,450	1,750	1,740	1,810
Total income taxation revenue	**189,310**	**202,890**	**226,890**	**246,520**
Indirect taxation				
Sales taxes				
Goods and services tax	44,260	47,250	50,430	53,600
Wine equalisation tax	730	770	810	860
Luxury car tax	390	370	410	440
Total sales taxes	45,380	48,390	51,650	54,900
Excise duty				
Petrol	6,390	6,270	5,910	5,110
Diesel	6,720	6,900	6,680	5,970
Beer	2,050	2,110	2,190	2,260
Tobacco	5,630	5,600	5,710	5,890
Other excisable products	3,620	3,950	4,190	4,210
Of which: Other excisable beverages(a)	940	1,040	1,130	1,220
Total excise duty revenue	24,410	24,830	24,680	23,440
Customs duty				
Textiles, clothing and footwear	790	630	670	710
Passenger motor vehicles	930	650	670	700
Excise-like goods	2,890	2,970	3,130	3,270
Other imports	1,460	1,600	1,710	1,820
less Refunds and drawbacks	240	240	240	240
Total customs duty revenue	5,830	5,610	5,940	6,260
Carbon Pollution Reduction Scheme	-	-	4,450	11,480
Other indirect taxation				
Agricultural levies	371	355	358	360
Other taxes	2,207	2,262	2,324	2,384
Total other indirect taxation revenue	2,578	2,617	2,683	2,745
Mirror taxes	383	394	415	440
less Transfers to States in relation to mirror tax revenue	383	394	415	440
Mirror tax revenue	0	0	0	0
Total indirect taxation revenue	**78,198**	**81,447**	**89,403**	**98,825**
Total taxation revenue	**267,508**	**284,337**	**316,293**	**345,345**
Memorandum:				
Capital gains tax	*6,540*	*8,170*	*10,720*	*13,130*
Medicare levy revenue	*8,320*	*8,590*	*9,200*	*9,780*

(a) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

Note 3(a): Taxation revenue by source

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Taxes on income, profits and capital gains				
Income and capital gains levied on individuals	126,510	134,040	145,920	157,960
Income and capital gains levied on enterprises	62,800	68,850	80,970	88,560
Total taxes on income, profits and capital gains	**189,310**	**202,890**	**226,890**	**246,520**
Taxes on employers' payroll and labour force	383	398	414	431
Taxes on the provision of goods and services				
Sales/goods and services tax	45,380	48,390	51,650	54,900
Excises and levies	24,943	25,347	25,201	23,963
Taxes on international trade	5,830	5,610	5,940	6,260
Total taxes on the provision of goods and services	**76,153**	**79,347**	**82,791**	**85,123**
Other taxes on goods and services(a)	1,661	1,701	6,198	13,271
Total taxation revenue	**267,508**	**284,337**	**316,293**	**345,345**
Memorandum:				
Medicare levy revenue	*8,320*	*8,590*	*9,200*	*9,780*

(a) Change in description from 'Taxes on use of goods and performance activities' to better reflect the nature of the transactions.

Note 4: Sales of goods and services revenue

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Sales of goods	1,202	1,350	1,425	1,364
Rendering of services	4,557	4,869	4,729	4,482
Operating lease rental	11	20	20	21
Other fees from regulatory services	2,183	2,325	2,467	2,617
Total sales of goods and services revenue	**7,953**	**8,565**	**8,642**	**8,485**

Note 5: Interest and dividend income

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Interest from other governments				
Housing agreements	175	170	165	160
State and Territory debt	14	12	11	10
Total interest from other governments	**188**	**183**	**177**	**171**
Interest from other sources				
Advances	26	30	34	35
Deposits	61	52	62	71
Bills receivable	6	6	6	6
Bank deposits	122	128	132	134
Indexation of HELP receivable and other student loans	307	326	342	352
Other	4,038	4,132	4,159	4,120
Total interest from other sources	**4,560**	**4,673**	**4,734**	**4,718**
Total interest	**4,749**	**4,856**	**4,911**	**4,889**
Dividends				
Dividends from other public sector entities	6,272	1,135	1,195	1,292
Other dividends	1,112	1,093	1,010	935
Total dividends	**7,384**	**2,228**	**2,206**	**2,227**
Total interest and dividend income	**12,133**	**7,084**	**7,116**	**7,115**

Note 6: Other sources of non-taxation revenue

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Industry contributions	96	99	43	43
Royalties	1,171	1,175	1,117	1,009
Seigniorage	104	102	107	107
Other	2,858	2,534	2,620	2,751
Total other sources of non-taxation revenue	**4,229**	**3,909**	**3,886**	**3,910**

Note 7: Employee and superannuation expense

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Wages and salaries expenses	**16,840**	**16,854**	**16,922**	**17,079**
Other operating expenses				
Leave and other entitlements	2,093	2,183	2,255	2,286
Separations and redundancies	50	44	44	41
Workers compensation premiums and claims	488	505	532	565
Other	2,133	2,240	2,347	2,458
Total other operating expenses	**4,764**	**4,972**	**5,178**	**5,350**
Superannuation expenses				
Superannuation	3,410	3,507	3,577	3,653
Superannuation interest cost	6,792	7,016	7,245	7,489
Total superannuation expenses	**10,203**	**10,523**	**10,822**	**11,142**
Total employee and superannuation expense	**31,807**	**32,349**	**32,922**	**33,572**

Note 8: Depreciation and amortisation expense

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Depreciation				
Buildings	1,150	1,197	992	1,023
Specialist military equipment	2,609	2,487	2,533	2,586
Other infrastructure, plant and equipment	1,254	1,241	1,148	1,156
Heritage and cultural assets	4	4	4	4
Total depreciation	**5,017**	**4,929**	**4,678**	**4,769**
Total amortisation	**555**	**572**	**600**	**600**
Total depreciation and amortisation expense	**5,572**	**5,500**	**5,278**	**5,368**

Note 9: Supply of goods and services expense

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Supply of goods and services	20,275	18,265	18,314	17,658
Operating lease rental expenses	2,293	2,389	2,381	2,391
Personal benefits - indirect	34,618	35,949	38,393	40,423
Health care payments	4,916	4,977	5,081	5,155
Other	2,019	2,018	2,249	2,666
Total supply of goods and services expense	**64,120**	**63,598**	**66,419**	**68,293**

Note 10: Interest expense

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Interest on debt				
Government securities	6,892	9,703	12,325	13,795
Loans	1	1	1	0
Other	77	71	68	63
Total interest on debt	**6,971**	**9,776**	**12,393**	**13,858**
Other financing costs	**1,293**	**1,351**	**1,417**	**1,429**
Total interest expense	**8,263**	**11,127**	**13,811**	**15,287**

Note 11: Current and capital grants expense

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Current grants expense				
State and Territory governments	73,950	78,568	84,122	89,139
Local governments	22	28	48	30
Private sector	2,503	2,370	2,342	2,126
Overseas	3,331	3,700	3,818	4,076
Non-profit organisations	2,562	2,661	3,140	1,471
Multi-jurisdictional sector	8,039	8,418	8,663	8,869
Other	11,000	9,526	8,416	9,715
Total current grants expense	**101,407**	**105,270**	**110,548**	**115,425**
Capital grants expense				
Mutually agreed write-downs	1,777	1,878	2,006	2,137
Other capital grants				
State and Territory governments	18,783	11,149	6,248	5,867
Local governments	1,084	517	344	332
Multi-jurisdictional sector	81	85	88	90
Other	461	400	354	405
Total capital grants expense	**22,187**	**14,030**	**9,039**	**8,830**
Total grants expense	**123,594**	**119,300**	**119,588**	**124,255**

Note 12: Personal benefits expense

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Social welfare - assistance to the aged	30,349	32,648	34,591	36,958
Assistance to veterans and dependants	6,276	6,255	6,117	6,007
Assistance to people with disabilities	15,908	17,529	18,430	19,468
Assistance to families with children	28,442	28,727	29,353	29,889
Assistance to the unemployed	7,642	9,223	8,979	8,719
Student assistance	3,993	4,166	4,130	4,340
Other welfare programmes	1,409	1,009	983	1,200
Financial and fiscal affairs	224	233	243	253
Vocational and industry training	172	189	193	197
Other	4,095	4,366	7,308	12,040
Total personal benefits expense	**98,509**	**104,345**	**110,328**	**119,071**

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

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Opening net worth	**19,721**	**-23,043**	**-66,501**	**-91,464**
Opening net worth adjustments(a)	6,302	0	0	0
Adjusted opening net worth	**26,023**	**-23,043**	**-66,501**	**-91,464**
Net operating balance	-48,344	-41,085	-22,568	-13,221
Other economic flows – Included in operating result				
Gains from sale of assets	9	67	37	33
Other gains	7,287	2,889	3,587	3,854
Swap interest revenue	86	0	0	0
Net write-down and impairment of assets and fair value losses	-5,050	-4,543	-4,741	-5,158
Foreign exchange losses	-572	-1	0	0
Losses from sale of assets	3	-11	4	7
Swap interest expense	-47	0	0	0
Total other economic flows	**1,715**	**-1,598**	**-1,113**	**-1,264**
Operating result(b)	**-46,629**	**-42,683**	**-23,681**	**-14,485**
Other economic flows – other movements in equity(c)	-2,436	-775	-1,283	-1,074
Comprehensive result	**-49,065**	**-43,458**	**-24,963**	**-15,559**

(a) Reflects a decrease in the superannuation liability mainly due to a difference in the estimated and actual discount rate at 30 June 2009.
(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 other receivables

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Advances paid				
Loans to State and Territory governments	3,032	2,931	2,832	2,725
Higher Education Loan Program	12,195	12,853	13,293	13,440
Student Financial Supplement Scheme	759	703	644	582
Other	7,795	8,083	7,989	8,130
less Provision for doubtful debts	356	352	341	329
Total advances paid	**23,425**	**24,217**	**24,418**	**24,548**
Other receivables				
Goods and services receivable	894	847	794	788
Recoveries of benefit payments	2,825	2,856	2,888	2,945
Taxes receivable	18,957	21,232	27,631	36,397
Other	18,670	16,673	15,885	15,302
less Provision for doubtful debts	2,818	2,878	2,926	3,020
Total other receivables	**38,529**	**38,730**	**44,272**	**52,411**

Note 15: Investments, loans and placements

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Investments - deposits	38,587	40,218	33,409	27,594
IMF quota	6,075	6,061	6,061	6,061
Other	60,557	64,660	70,688	73,264
Total investments, loans and placements	**105,219**	**110,939**	**110,158**	**106,918**

Note 16: Total non-financial assets

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Land and buildings				
Land	8,224	8,143	8,018	7,993
Buildings	20,648	21,503	22,683	23,347
Total land and buildings	**28,872**	**29,645**	**30,701**	**31,340**
Plant, equipment and infrastructure				
Specialist military equipment	36,296	39,876	43,718	47,499
Other	10,975	11,197	11,311	10,801
Total plant, equipment and infrastructure	**47,271**	**51,073**	**55,029**	**58,300**
Inventories				
Inventories held for sale	832	822	795	790
Inventories not held for sale	6,030	6,206	6,408	6,808
Total inventories	**6,862**	**7,028**	**7,203**	**7,598**
Intangibles				
Computer software	2,655	2,661	2,659	2,606
Other	1,465	1,696	1,994	2,453
Total intangibles	**4,120**	**4,358**	**4,653**	**5,060**
Total investment properties	**167**	**167**	**168**	**168**
Total biological assets	**32**	**33**	**34**	**34**
Total heritage and cultural assets	**9,122**	**9,165**	**9,207**	**9,246**
Total assets held for sale	**128**	**130**	**130**	**130**
Other non-financial assets				
Prepayments	1,960	1,550	1,068	921
Other	198	433	452	437
Total other non-financial assets	**2,158**	**1,982**	**1,520**	**1,358**
Total non-financial assets	**98,732**	**103,581**	**108,643**	**113,233**

Note 17: Loans

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Promissory notes	4,633	4,560	4,402	4,440
Special drawing rights	5,788	5,774	5,774	5,774
Other	1,672	1,757	1,435	1,515
Total loans	**12,093**	**12,091**	**11,610**	**11,728**

Note 18: Employee and superannuation liabilities

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Total superannuation liability	**122,349**	**126,426**	**130,503**	**134,600**
Other employee liabilities				
Leave and other entitlements	6,005	6,292	6,620	6,981
Accrued salaries and wages	263	279	300	307
Workers compensation claims	1,584	1,562	1,551	1,550
Separations and redundancies	39	34	34	33
Other	1,936	2,044	2,160	2,287
Total other employee liabilities	**9,828**	**10,211**	**10,664**	**11,158**
Total employee and superannuation liabilities	**132,177**	**136,637**	**141,167**	**145,758**

Note 19: Provisions and payables

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Suppliers payable				
Trade creditors	3,308	3,396	3,488	3,527
Operating lease rental payable	128	128	127	129
Other creditors	279	290	291	292
Total suppliers payable	**3,716**	**3,815**	**3,906**	**3,948**
Total personal benefits payable	**12,782**	**13,071**	**13,646**	**14,692**
Total subsidies payable	**1,752**	**2,092**	**2,307**	**2,401**
Grants payable				
State and Territory governments	589	583	583	583
Non-profit organisations	114	114	114	114
Private sector	426	425	425	425
Overseas	203	206	142	211
Local governments	13	13	13	13
Other	5,220	5,426	5,630	5,826
Total grants payable	**6,564**	**6,767**	**6,908**	**7,172**
Other provisions and payables				
Provisions for tax refunds	1,840	1,905	1,950	2,000
Other	12,003	10,769	12,159	21,317
Total other provisions and payables	**13,843**	**12,675**	**14,109**	**23,318**

Note 20: Reconciliation of cash

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Net operating balance (revenues less expenses)	**-48,344**	**-41,085**	**-22,568**	**-13,221**
less **Revenues not providing cash**				
Other	777	837	895	936
Total revenues not providing cash	**777**	**837**	**895**	**936**
plus **Expenses not requiring cash**				
Increase/(decrease) in employee entitlements	4,378	4,453	4,526	4,591
Depreciation/amortisation expense	5,572	5,500	5,278	5,368
Mutually agreed write-downs	1,777	1,878	2,006	2,137
Other	963	740	1,078	867
Total expenses not requiring cash	**12,690**	**12,571**	**12,888**	**12,963**
plus **Cash provided / (used) by working capital items**				
Decrease/(increase) in inventories	-490	-34	-125	-354
Decrease/(increase) in receivables	-9,699	-4,601	-10,385	-13,411
Decrease/(increase) in other financial assets	886	177	255	281
Decrease/(increase) in other non-financial assets	551	125	247	-64
Increase/(decrease) in benefits, subsidies and grants payable	-1,086	1,107	930	1,628
Increase/(decrease) in suppliers' liabilities	-33	142	112	-2
Increase/(decrease) in other provisions and payables	2,225	-995	1,537	9,475
Net cash provided / (used) by working capital	**-7,647**	**-4,078**	**-7,428**	**-2,447**
equals (Net cash from/(to) operating activities)	-44,077	-33,429	-18,002	-3,640
plus (Net cash from/(to) investing activities)	-15,648	-16,740	-11,543	-5,272
Net cash from operating activities and investment	**-59,725**	**-50,169**	**-29,546**	**-8,912**
plus (Net cash from/(to) financing activities)	59,891	50,147	29,710	9,054
equals Net increase/(decrease) in cash held	**167**	**-21**	**164**	**142**
Cash at the beginning of the year	**1,654**	**1,820**	**1,799**	**1,963**
Net increase/(decrease) in cash	167	-21	164	142
Cash at the end of the year	**1,820**	**1,799**	**1,963**	**2,105**

Note 20(a): Consolidated Revenue Fund

	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
	$m	$m	$m	$m
Total general government sector cash	1,820	1,799	1,963	2,105
less CAC Agency cash balances	1,151	1,203	1,263	1,299
plus Special public monies	125	125	125	125
Balance of Consolidated Revenue Fund at 30 June	**794**	**721**	**825**	**931**

The cash balances reflected in the balance sheet for the Australian Government GGS (Table B2) 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 above.

FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The *Charter of Budget Honesty Act 1998* (the Charter) requires the Mid-Year Economic and Fiscal Outlook (MYEFO) to be based on external reporting standards. The Government has produced financial statements that comply with both ABS GFS and AAS, meeting the requirement of the Charter, with departures disclosed. The financial statements for the *Mid-Year Economic and Fiscal Outlook 2009-10* have been prepared on a basis consistent with the 2009-10 Budget. 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 public non-financial corporations (PNFC), public financial corporations (PFC) and the total non-financial public sectors (NFPS).

General Government Sector Financial Reporting (AASB 1049)

The MYEFO 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 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.

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

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.

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

---

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.

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

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.

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

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.

---

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.

Expected Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table B3 of this statement and the historic tables in Appendix D.

Headline cash balance

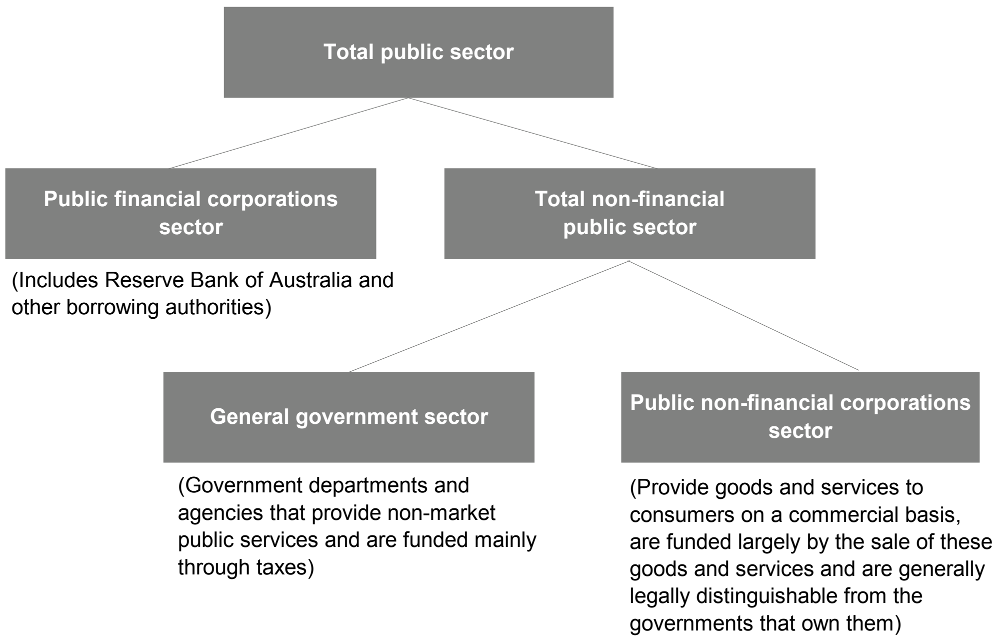
The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and Future Fund earnings to the underlying cash balance.

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 B1. ABS GFS defines the GGS and the PNFC and PFC sectors. AASB 1049 has also adopted this sectoral reporting.

Figure B1: Institutional structure of the public sector



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

Table B10: 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, Cotton Research and Development Corporation, 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 Australia, 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

General government sector entities (continued)
Education, Employment and Workplace Relations Portfolio Australian Curriculum, Assessment and Reporting Authority, 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, 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 the Environment, Water, Heritage and the Arts, Director of National Parks, Great Barrier Reef Marine Park Authority, 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, 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

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, Australian Sports Foundation, Cancer Australia, Department of Health and Ageing, Food Standards Australia New Zealand, Health Workforce Australia, 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

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

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, 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 transaction or 'other economic flow' 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 B11. 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).

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 B11: 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 Quarter 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 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
Advances to IDA/ADF	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
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

AUSTRALIAN LOAN COUNCIL ALLOCATION

Under Loan Council arrangements, every year the Australian Government and each State and Territory government nominate a Loan Council Allocation (LCA). A jurisdiction's LCA incorporates:

- the estimated non-financial public sector GFS cash surplus/deficit (made up from the balances of the general government and public non-financial corporations sectors and total non-financial public sector 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.

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

In March 2009, the Australian Government nominated, and the Loan Council endorsed, an LCA deficit of $34,073 million. In the 2009-10 Budget, the Australian Government estimated an LCA deficit of $60,965 million.

As set out in Table B12, the Australian Government's revised estimate for the 2009-10 LCA is a $64,496 million deficit.

Table B12: Australian Government Loan Council Allocation

		2009-10 Budget estimate $m	MYEFO estimate $m
	GGS cash surplus(-)/deficit(+)	54,660	54,783
	PNFC sector cash surplus(-)/deficit(+)	2,258	2,537
	NFPS cash surplus(-)/deficit(+) (a)	56,918	57,321
	Acquisitions under finance leases and similar arrangements	1	1
equals	ABS GFS cash surplus(-)/deficit(+)	56,919	57,322
minus	Net cash flows from investments		
	in financial assets for policy purposes (b)	-5,089	-8,279
plus	Memorandum items (c)	-1,043	-1,105
	Loan Council Allocation	**60,965**	**64,496**

(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 flows from investments in financial assets for policy purposes are displayed with the same sign as which they are reported in cash flow statements. Such transactions involve the transfer or exchange of a financial asset and are not included within the cash deficit/surplus. 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 outcome, memorandum items include the change in net present value (NPV) of operating leases (with NPV greater than $5 million) and the over-funding of superannuation.