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 2010-11 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	
		2010-11	2011-12	2012-13	2013-14
	Note	$m	$m	$m	$m
Revenue					
Taxation revenue	3	299,419	335,281	360,224	380,499
Sales of goods and services	4	7,987	8,133	8,166	8,157
Interest income	5	5,074	4,842	4,702	4,661
Dividend income	5	1,764	1,426	1,412	1,298
Other	6	5,438	5,694	5,816	5,870
Total revenue		**319,682**	**355,376**	**380,320**	**400,485**
Expenses					
Gross operating expenses					
Wages and salaries(a)	7	18,305	18,243	18,446	18,919
Superannuation	7	4,252	3,764	3,838	3,973
Depreciation and amortisation	8	5,613	5,221	5,454	5,645
Supply of goods and services	9	66,172	67,102	69,775	74,854
Other operating expenses(a)	7	4,360	4,421	4,568	4,734
Total gross operating expenses		*98,701*	*98,750*	*102,081*	*108,125*
Superannuation interest expense	7	6,989	7,315	7,565	7,832
Interest expenses	10	10,527	11,779	12,129	12,193
Current transfers					
Current grants	11	107,979	116,203	120,698	124,238
Subsidy expenses		8,736	9,137	9,469	9,608
Personal benefits	12	104,769	107,978	114,696	121,376
Total current transfers		*221,484*	*233,318*	*244,862*	*255,221*
Capital transfers	11				
Mutually agreed write-downs		2,368	2,262	2,378	2,519
Other capital grants		14,278	8,578	7,774	6,622
Total capital transfers		*16,647*	*10,839*	*10,151*	*9,141*
Total expenses		**354,348**	**362,002**	**376,789**	**392,512**
Net operating balance		**-34,666**	**-6,626**	**3,531**	**7,973**
Other economic flows					
Gain/loss on equity and on sale of assets(b)		1,966	3,485	7,599	3,532
Net write-downs of assets (including bad and doubtful debts)		-5,773	-6,083	-6,311	-6,680
Assets recognised for the first time		612	643	676	711
Actuarial revaluations		0	0	0	0
Net foreign exchange gains		152	6	12	12
Net swap interest received		0	0	0	0
Market valuation of debt		1,155	88	125	159
Other economic revaluations(c)		283	-128	9	27
Total other economic flows		**-1,604**	**-1,989**	**2,110**	**-2,239**
Comprehensive result - Total change in net worth	13	**-36,270**	**-8,615**	**5,641**	**5,734**

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

		Estimates		Projections	
		2010-11	2011-12	2012-13	2013-14
	Note	$m	$m	$m	$m
Net operating balance		**-34,666**	**-6,626**	**3,531**	**7,973**
Net acquisition of non-financial assets					
Purchases of non-financial assets		12,068	9,866	9,316	9,184
less Sales of non-financial assets		384	1,048	4,904	453
less Depreciation		5,613	5,221	5,454	5,645
plus Change in inventories		840	520	595	583
plus Other movements in non-financial assets		343	200	-232	-9
Total net acquisition of non-financial assets		**7,254**	**4,318**	**-679**	**3,659**
Fiscal balance (Net lending/borrowing)(d)		**-41,920**	**-10,943**	**4,211**	**4,314**

(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) Reflects changes in the market valuation of investments and any 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	
		2010-11	2011-12	2012-13	2013-14
	Note	$m	$m	$m	$m
Assets					
Financial assets					
Cash and deposits	20(a)	2,119	2,296	2,240	2,390
Advances paid	14	25,700	27,092	28,775	30,532
Investments, loans and placements	15	94,495	90,035	89,943	89,704
Other receivables	14	34,255	34,253	34,565	35,170
Equity investments					
Investments in other public sector entities		24,769	29,680	36,315	41,030
Equity accounted investments		272	271	270	269
Investments - shares		28,000	29,092	28,638	30,207
Total financial assets		*209,611*	*212,719*	*220,745*	*229,302*
Non-financial assets	16				
Land		8,562	8,456	8,436	8,343
Buildings		22,344	23,266	24,298	25,370
Plant, equipment and infrastructure		51,640	54,691	56,856	59,115
Inventories		6,915	6,934	7,152	7,322
Intangibles		5,094	5,387	5,698	5,508
Investment properties		504	504	504	504
Biological assets		120	121	121	121
Heritage and cultural assets		9,378	9,385	9,390	9,398
Assets held for sale		99	92	106	89
Other non-financial assets		2,521	2,650	2,307	2,172
Total non-financial assets		*107,177*	*111,485*	*114,868*	*117,942*
Total assets		**316,787**	**324,204**	**335,613**	**347,244**
Liabilities					
Interest bearing liabilities					
Deposits held		232	232	232	232
Government securities		191,137	203,560	204,479	205,185
Loans	17	9,642	9,272	9,165	9,076
Other borrowing		885	785	683	589
Total interest bearing liabilities		*201,896*	*213,850*	*214,560*	*215,082*
Provisions and payables					
Superannuation liability	18	127,744	132,006	136,330	140,681
Other employee liabilities	18	10,787	11,046	11,321	11,615
Suppliers payable	19	4,216	4,202	4,165	4,210
Personal benefits provisions and payable	19	12,564	12,776	13,337	13,724
Subsidies provisions and payable	19	2,273	2,331	2,480	2,625
Grants provisions and payable	19	8,492	8,477	8,688	9,015
Other provisions and payables	19	12,178	11,491	11,067	10,894
Total provisions and payables		*178,252*	*182,329*	*187,388*	*192,763*
Total liabilities		**380,148**	**396,180**	**401,947**	**407,845**
Net worth(a)		**-63,361**	**-71,975**	**-66,334**	**-60,601**
Net financial worth(b)		*-170,538*	*-183,460*	*-181,202*	*-178,543*
Net financial liabilities(c)		*195,306*	*213,141*	*217,517*	*219,573*
Net debt(d)		*79,581*	*94,428*	*93,601*	*92,456*

(a) Net worth is calculated as total assets minus total liabilities.
(b) Net financial worth equals total financial assets minus total liabilities.
(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, 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	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Cash receipts from operating activities				
Taxes received	292,269	327,686	352,327	372,420
Receipts from sales of goods and services	7,879	8,075	8,093	8,116
Interest receipts	4,779	4,498	4,350	4,298
Dividends and income tax equivalents	2,814	1,552	1,512	1,342
Other receipts	5,080	5,336	5,506	5,528
Total operating receipts	**312,821**	**347,147**	**371,788**	**391,704**
Cash payments for operating activities				
Payments for employees	-24,879	-25,014	-25,514	-26,350
Payments for goods and services	-66,496	-67,404	-70,131	-75,114
Grants and subsidies paid	-129,422	-133,590	-137,611	-140,090
Interest paid	-9,160	-9,923	-10,292	-10,172
Personal benefit payments	-105,061	-107,759	-114,151	-121,014
Other payments	-4,286	-4,091	-4,189	-4,335
Total operating payments	**-339,305**	**-347,781**	**-361,888**	**-377,076**
Net cash flows from operating activities	**-26,484**	**-635**	**9,901**	**14,628**
Cash flows from investments in non-financial assets				
Sales of non-financial assets	384	1,048	4,904	453
Purchases of non-financial assets	-12,175	-9,914	-8,926	-9,022
Net cash flows from investments in non-financial assets	**-11,791**	**-8,866**	**-4,021**	**-8,569**
Net cash flows from investments in financial assets for policy purposes	**-10,084**	**-5,577**	**-7,004**	**-4,842**
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	14,117	3,949	1,126	-727
Net cash flows from investments in financial assets for liquidity purposes	**14,117**	**3,949**	**1,126**	**-727**
Cash receipts from financing activities				
Borrowing	35,221	12,241	836	344
Total cash receipts from financing activities	**35,221**	**12,241**	**836**	**344**
Cash payments for financing activities				
Other financing	-726	-934	-893	-684
Total cash payments for financing activities	**-726**	**-934**	**-893**	**-684**
Net cash flows from financing activities	**34,495**	**11,306**	**-57**	**-340**
Net increase/(decrease) in cash held	**254**	**177**	**-56**	**151**

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

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Net cash flows from operating activities and investments in non-financial assets (surplus(+)/deficit(-))	**-38,275**	**-9,501**	**5,879**	**6,059**
Finance leases and similar arrangements(b)	-180	-17	0	0
GFS cash surplus(+)/deficit(-)	**-38,455**	**-9,518**	**5,879**	**6,059**
less Future Fund earnings	3,013	2,770	2,759	2,802
Equals underlying cash balance(c)	**-41,468**	**-12,288**	**3,120**	**3,257**
plus Net cash flows from investments in financial assets for policy purposes	-10,084	-5,577	-7,004	-4,842
plus Future Fund earnings	3,013	2,770	2,759	2,802
Equals headline cash balance	**-48,539**	**-15,095**	**-1,125**	**1,217**

(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
	2010-11
	$m
Revenue	
Current grants and subsidies	24
Sales of goods and services	7,399
Interest income	47
Other	12
Total revenue	**7,482**
Expenses	
Gross operating expenses	
Wages and salaries(a)	2,735
Superannuation	229
Depreciation and amortisation	535
Supply of goods and services	3,618
Other operating expenses(a)	446
Total gross operating expenses	*7,563*
Interest expenses	51
Other property expenses	121
Current transfers	
Tax expenses	71
Total current transfers	*71*
Total expenses	**7,805**
Net operating balance	**-323**
Other economic flows	**2,150**
Comprehensive result - Total change in net worth	**1,826**
Net acquisition of non-financial assets	
Purchases of non-financial assets	3,631
less Sales of non-financial assets	30
less Depreciation	535
plus Change in inventories	-5
plus Other movements in non-financial assets	-3
Total net acquisition of non-financial assets	**3,059**
Fiscal balance (Net lending/borrowing)(b)	**-3,382**

(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
	2010-11
	$m
Assets	
Financial assets	
Cash and deposits	703
Investments, loans and placements	290
Other receivables	940
Equity investments	305
Total financial assets	*2,239*
Non-financial assets	
Land and fixed assets	9,085
Other non-financial assets(a)	563
Total non-financial assets	*9,649*
Total assets	**11,888**
Liabilities	
Interest bearing liabilities	
Borrowing	1,494
Total interest bearing liabilities	*1,494*
Provisions and payables	
Other employee liabilities	1,075
Other provisions and payables(a)	1,836
Total provisions and payables	*2,911*
Total liabilities	**4,406**
Shares and other contributed capital	**7,482**
Net worth(b)	**7,482**
Net financial worth(c)	*-2,167*
Net debt(d)	*501*

(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, and 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
	2010-11
	$m
Cash receipts from operating activities	
Receipts from sales of goods and services	8,017
GST input credit receipts	227
Other receipts	71
Total operating receipts	**8,314**
Cash payments for operating activities	
Payments to employees	-3,484
Payment for goods and services	-3,903
Interest paid	-60
GST payments to taxation authority	-511
Other payments	-102
Total operating payments	**-8,059**
Net cash flows from operating activities	**255**
Cash flows from investments in non-financial assets	
Sales of non-financial assets	31
Purchases of non-financial assets	-3,637
Net cash flows from investments in non-financial assets	**-3,606**
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-72
Net cash flows from investments in financial assets for liquidity purposes	**-72**
Net cash flows from financing activities	
Borrowing (net)	446
Other financing (net)	2,798
Distribution paid (net)	-139
Net cash flows from financing activities	**3,105**
Net increase/(decrease) in cash held	**-318**
Cash at the beginning of the year	**1,022**
Cash at the end of the year	**703**
Net cash from operating activities and investments in non-financial assets	**-3,351**
Distributions paid	-139
Equals surplus(+)/deficit(-)	**-3,490**
Finance leases and similar arrangements(b)	0
GFS cash surplus(+)/deficit(-)	**-3,490**

(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
	2010-11
	$m
Revenue	
Taxation revenue	299,349
Sales of goods and services	14,335
Interest income	5,120
Dividend income	1,643
Other	5,450
Total revenue	**325,898**
Expenses	
Gross operating expenses	
Wages and salaries(a)	21,039
Superannuation	4,481
Depreciation and amortisation	6,147
Supply of goods and services	68,740
Other operating expenses(a)	4,806
Total gross operating expenses	*105,213*
Superannuation interest expense	6,989
Interest expenses	10,578
Current transfers	
Current grants	107,979
Subsidy expenses	8,712
Personal benefits	104,769
Total current transfers	*221,460*
Capital transfers	16,647
Total expenses	**360,887**
Net operating balance	**-34,989**
Other economic flows	**-1,404**
Comprehensive result - Total change in net worth	**-36,393**
Net acquisition of non-financial assets	
Purchases of non-financial assets	15,699
less Sales of non-financial assets	414
less Depreciation	6,147
plus Change in inventories	835
plus Other movements in non-financial assets	340
Total net acquisition of non-financial assets	**10,313**
Fiscal balance (net lending/borrowing)(b)	**-45,302**

(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
	2010-11
	$m
Assets	
Financial assets	
Cash and deposits	2,822
Advances paid	25,700
Investments, loans and placements	94,785
Other receivables	35,093
Equity investments	45,383
Total financial assets	*203,784*
Non-financial assets	
Land and fixed assets	107,924
Other non-financial assets	8,901
Total non-financial assets	*116,825*
Total assets	**320,609**
Liabilities	
Interest bearing liabilities	
Deposits held	232
Government securities	191,137
Loans	9,642
Other borrowing	2,379
Total interest bearing liabilities	*203,390*
Provisions and payables	
Superannuation liability	127,744
Other employee liabilities	11,862
Other provisions and payables	41,456
Total provisions and payables	*181,062*
Total liabilities	**384,452**
Shares and other contributed capital	**7,482**
Net worth(a)	**-63,843**
Net financial worth(b)	*-180,668*
Net debt(c)	*80,082*

(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. 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, 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
	2010-11
	$m
Cash receipts from operating activities	
Taxes received	292,181
Receipts from sales of goods and services	14,184
Interest receipts	4,824
Dividends and income tax equivalents	2,694
Other receipts	5,081
Total operating receipts	**318,964**
Cash payments for operating activities	
Payments to employees	-28,363
Payments for goods and services	-68,972
Grants and subsidies paid	-129,422
Interest paid	-9,220
Personal benefit payments	-105,061
Other payments	-4,293
Total operating payments	**-345,332**
Net cash flows from operating activities	**-26,368**
Cash flows from investments in non-financial assets	
Sales of non-financial assets	415
Purchases of non-financial assets	-15,811
Net cash flows from investments in non-financial assets	**-15,397**
Net cash flows from investments in financial assets for policy purposes	**-10,084**
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	14,045
Net cash flows from investments in financial assets for liquidity purposes	**14,045**
Net cash flows from financing activities	
Borrowing (net)	35,666
Other financing (net)	2,072
Net cash flows from financing activities	**37,738**
Net increase/(decrease) in cash held	**-65**
Cash at the beginning of the year	**2,887**
Cash at the end of the year	**2,822**
Net cash from operating activities and investments in non-financial assets	**-41,765**
Distributions paid	0
Equals surplus(+)/deficit(-)	**-41,765**
Finance leases and similar arrangements(b)	-180
GFS cash surplus(+)/deficit(-)	**-41,945**

(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*). The ABS will be updating its ABS Manual following the update of the IMF GFS Manual 2001.

ABS GFS records defence weapons platforms (DWP) as a non-financial asset on a market value basis (fair value), rather than expensing at time of acquisition. The value used by ABS is consistent with the National Accounts statistical methodology, and represents an early adoption of changes to the *System of National Accounts 2008*. The ABS GFS treatment of DWP is consistent with AAS, as non-financial assets can be valued at fair value as long as they can be reliably measured, otherwise cost is permissible. DWP will be valued at cost in the financial statements, as they have in previous budgets, while the Australian Government ascertains if a relevant and reliable fair value can be sourced.

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.

ABS GFS requires investments in unlisted public sector entities to be valued based on their net assets. Under AAS investments in public sector entities can be valued at fair value as long as a fair value can be reliability measured, otherwise net assets is permissible. The AAS treatment has been adopted in the financial statements.

Departures from AASB 1049

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 in the financial statements. Explanations of variances for the 2010-11 year from the 2010-11 Budget to the 2010 Pre-Election Economic and Fiscal Outlook (PEFO) are disclosed in PEFO. Explanations of major variances for the 2010-11 year from the 2010 PEFO to the 2010-11 MYEFO are disclosed in Part 3. All decisions taken between the 2010-11 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	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Income taxation				
Individuals and other withholding taxes				
Gross income tax withholding	132,270	145,610	157,010	168,670
Gross other individuals	30,440	34,700	38,330	40,980
less Refunds	24,350	27,100	29,500	32,100
Total individuals and other withholding taxation	138,360	153,210	165,840	177,550
Fringe benefits tax	3,660	3,760	4,170	4,370
Company tax	63,680	77,200	78,220	80,420
Superannuation funds	7,330	9,150	10,660	11,220
Resource rent tax(a)	1,470	2,070	6,990	7,890
Total income taxation revenue	**214,500**	**245,390**	**265,880**	**281,450**
Indirect taxation				
Sales taxes				
Goods and services tax	49,130	52,200	55,290	58,510
Wine equalisation tax	770	830	880	930
Luxury car tax	540	580	610	650
Total sales taxes	50,440	53,610	56,780	60,090
Excise duty				
Petrol	6,000	5,970	5,730	5,700
Diesel	7,060	7,270	7,540	7,870
Beer	2,000	2,170	2,280	2,430
Tobacco	6,070	5,430	5,480	5,710
Other excisable products	4,170	4,920	5,310	5,430
Of which: Other excisable beverages(b)	940	1,020	1,100	1,190
Total excise duty revenue	25,300	25,760	26,340	27,140
Customs duty				
Textiles, clothing and footwear	630	660	700	750
Passenger motor vehicles	830	920	1,020	1,080
Excise-like goods	3,700	4,790	5,070	5,290
Other imports	1,510	1,670	1,820	1,940
less Refunds and drawbacks	240	240	240	240
Total customs duty revenue	6,430	7,800	8,370	8,820
Other indirect taxation				
Agricultural levies	376	384	395	401
Other taxes	2,374	2,337	2,459	2,598
Total other indirect taxation revenue	2,749	2,721	2,854	2,999
Mirror taxes	418	444	470	498
less Transfers to States in relation to mirror tax revenue	418	444	470	498
Mirror tax revenue	0	0	0	0
Total indirect taxation revenue	**84,919**	**89,891**	**94,344**	**99,049**
Total taxation revenue	**299,419**	**335,281**	**360,224**	**380,499**
Memorandum:				
Capital gains tax	*8,700*	*11,300*	*14,250*	*16,850*
Medicare levy revenue	*8,220*	*8,850*	*9,540*	*10,100*

(a) Resource rent taxes include PRRT and gross revenue from the MRRT. The net revenue from the MRRT is $3.3 billion in 2012-13 and $4.1 billion in 2013-14, which represents the net impact on revenue across several different revenue heads. This includes the offsetting reductions in company tax (through deductibility), crude oil excise and interactions with other taxes.

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

Note 3(a): Taxation revenue by source

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Taxes on income, profits and capital gains				
Income and capital gains levied on individuals	142,040	156,990	170,040	181,950
Income and capital gains levied on enterprises	72,460	88,400	95,840	99,500
Total taxes on income, profits and capital gains	**214,500**	**245,390**	**265,880**	**281,450**
Taxes on employers' payroll and labour force	528	544	579	604
Taxes on the provision of goods and services				
Sales/goods and services tax	50,440	53,610	56,780	60,090
Excises and levies	25,838	26,306	26,897	27,704
Taxes on international trade	6,430	7,800	8,370	8,820
Total taxes on the provision of goods and services	**82,708**	**87,716**	**92,047**	**96,614**
Other taxes on goods and services(a)	1,683	1,630	1,718	1,831
Total taxation revenue	**299,419**	**335,281**	**360,224**	**380,499**
Memorandum:				
Medicare levy revenue	*8,220*	*8,850*	*9,540*	*10,100*

(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	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Sales of goods	1,326	1,478	1,472	1,477
Rendering of services	4,424	4,223	4,094	3,949
Operating lease rental	40	42	41	41
Other fees from regulatory services	2,197	2,390	2,559	2,690
Total sales of goods and services revenue	**7,987**	**8,133**	**8,166**	**8,157**

Note 5: Interest and dividend income

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Interest from other governments				
State and Territory debt	15	16	18	20
Housing agreements	170	165	160	155
Total interest from other governments	**185**	**181**	**179**	**175**
Interest from other sources				
Advances	32	34	35	37
Deposits	95	97	100	102
Bank deposits	134	136	134	134
Indexation of HELP receivable and other student loans	338	371	408	448
Other	4,290	4,022	3,846	3,764
Total interest from other sources	**4,889**	**4,661**	**4,524**	**4,485**
Total interest	**5,074**	**4,842**	**4,702**	**4,661**
Dividends				
Dividends from other public sector entities	305	327	333	328
Other dividends	1,459	1,100	1,079	970
Total dividends	**1,764**	**1,426**	**1,412**	**1,298**
Total interest and dividend income	**6,838**	**6,269**	**6,114**	**5,958**

Note 6: Other sources of non-taxation revenue

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Industry contributions	50	44	38	38
Royalties	1,636	1,565	1,432	1,340
Seigniorage	133	150	157	163
Other	3,619	3,935	4,189	4,329
Total other sources of non-taxation revenue	**5,438**	**5,694**	**5,816**	**5,870**

Note 7: Employee and superannuation expense

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Wages and salaries expenses	**18,305**	**18,243**	**18,446**	**18,919**
Other operating expenses				
Leave and other entitlements	2,138	2,107	2,146	2,189
Separations and redundancies	63	50	47	49
Workers compensation premiums and claims	543	540	551	577
Other	1,615	1,724	1,823	1,920
Total other operating expenses	**4,360**	**4,421**	**4,568**	**4,734**
Superannuation expenses				
Superannuation	4,252	3,764	3,838	3,973
Superannuation interest cost	6,989	7,315	7,565	7,832
Total superannuation expenses	**11,241**	**11,079**	**11,403**	**11,805**
Total employee and superannuation expense	**33,906**	**33,743**	**34,417**	**35,458**

Note 8: Depreciation and amortisation expense

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Depreciation				
Specialist military equipment	2,532	1,969	2,117	2,250
Buildings	1,161	1,208	1,248	1,290
Other infrastructure, plant and equipment	1,162	1,222	1,275	1,333
Heritage and cultural assets	42	42	42	42
Total depreciation	**4,896**	**4,441**	**4,681**	**4,916**
Total amortisation	**716**	**780**	**773**	**729**
Total depreciation and amortisation expense	**5,613**	**5,221**	**5,454**	**5,645**

Note 9: Supply of goods and services expense

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Supply of goods and services	20,121	19,123	19,133	20,075
Operating lease rental expenses	2,493	2,495	2,498	2,505
Personal benefits - indirect	36,449	37,966	40,180	43,206
Health care payments	5,164	5,270	5,354	5,476
Other	1,945	2,247	2,611	3,592
Total supply of goods and services	**66,172**	**67,102**	**69,775**	**74,854**

Note 10: Interest expense

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Interest on debt				
Government securities	9,132	10,280	10,657	10,734
Loans	7	7	6	6
Other	72	68	63	58
Total interest on debt	**9,211**	**10,355**	**10,726**	**10,798**
Other financing costs	**1,316**	**1,424**	**1,403**	**1,395**
Total interest expense	**10,527**	**11,779**	**12,129**	**12,193**

Note 11: Current and capital grants expense

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Current grants expense				
State and Territory governments	82,168	85,941	91,376	95,145
Local governments	25	38	26	0
Private sector	1,656	2,624	3,014	2,802
Overseas	4,035	4,168	4,618	4,663
Non-profit organisations	2,528	2,996	1,346	1,336
Multi-jurisdictional sector	8,654	8,892	9,190	9,570
Other	8,912	11,545	11,128	10,723
Total current grants expense	**107,979**	**116,203**	**120,698**	**124,238**
Capital grants expense				
Mutually agreed write-downs	2,368	2,262	2,378	2,519
Other capital grants				
State and Territory governments	12,294	7,335	6,888	5,751
Local governments	809	423	332	332
Private sector(a)	719	253	0	0
Multi-jurisdictional sector	87	90	93	97
Other	369	478	460	443
Total capital grants expense	**16,647**	**10,839**	**10,151**	**9,141**
Total grants expense	**124,625**	**127,043**	**130,850**	**133,379**

(a) Includes Home Insulation and Solar Energy Programs.

Note 12: Personal benefits expense

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Social welfare - assistance to the aged	32,624	34,667	37,203	38,966
Assistance to veterans and dependants	6,358	6,215	6,070	5,954
Assistance to people with disabilities	18,409	19,527	20,687	21,777
Assistance to families with children	29,755	30,742	31,409	32,241
Assistance to the unemployed	7,215	7,066	7,833	8,236
Student assistance	4,244	4,146	4,129	4,282
Other welfare programmes	1,011	911	904	883
Financial and fiscal affairs	342	359	375	391
Vocational and industry training	270	303	339	359
Other	4,542	4,042	5,746	8,286
Total personal benefits expense	**104,769**	**107,978**	**114,696**	**121,376**

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

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Opening net worth	**-44,848**	**-63,361**	**-71,975**	**-66,334**
Opening net worth adjustments(a)	17,757	0	0	0
Adjusted opening net worth	**-27,091**	**-63,361**	**-71,975**	**-66,334**
Net operating balance	**-34,666**	**-6,626**	**3,531**	**7,973**
Other economic flows – Included in operating result				
Foreign exchange gains	152	6	12	12
Gains from sale of assets	77	748	4,525	162
Other gains	4,934	4,554	4,746	4,894
Swap interest revenue	0	0	0	0
Net write-down and impairment of assets and fair value losses	-5,773	-6,083	-6,311	-6,680
Foreign exchange losses	0	0	0	0
Losses from sale of assets	40	40	32	31
Swap interest expense	0	0	0	0
Total other economic flows	**-570**	**-735**	**3,004**	**-1,580**
Operating result(b)	**-35,235**	**-7,361**	**6,535**	**6,393**
Other economic flows – other movements in equity(c)	-1,034	-1,254	-894	-659
Comprehensive result	**-36,270**	**-8,615**	**5,641**	**5,734**

(a) Reflects a decrease in the superannuation liability mainly due to a difference in the estimated and actual discount rate at 30 June 2010. Refer Note 18 for further details.
(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	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Advances paid				
Loans to State and Territory governments	2,957	2,917	2,872	2,823
Higher Education Loan Program	14,150	15,693	17,342	19,000
Student Financial Supplement Scheme	707	648	586	520
Other	8,183	8,118	8,249	8,448
less Provision for doubtful debts	297	285	272	260
Total advances paid	**25,700**	**27,092**	**28,775**	**30,532**
Other receivables				
Goods and services receivable	881	874	912	918
Recoveries of benefit payments	3,163	3,143	3,148	3,146
Taxes receivable	16,179	16,802	17,417	18,087
Other	17,371	16,875	16,682	16,760
less Provision for doubtful debts	3,339	3,440	3,594	3,741
Total other receivables	**34,255**	**34,253**	**34,565**	**35,170**

Note 15: Investments, loans and placements

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Investments - deposits	26,304	20,534	17,068	13,363
IMF quota	5,337	5,302	5,302	5,302
Other	62,854	64,199	67,573	71,039
Total investments, loans and placements	**94,495**	**90,035**	**89,943**	**89,704**

Note 16: Total non-financial assets

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Land and buildings				
Land	8,562	8,456	8,436	8,343
Buildings	22,344	23,266	24,298	25,370
Total land and buildings	**30,906**	**31,722**	**32,734**	**33,713**
Plant, equipment and infrastructure				
Specialist military equipment	39,569	42,466	44,537	46,932
Other	12,071	12,225	12,319	12,183
Total plant, equipment and infrastructure	**51,640**	**54,691**	**56,856**	**59,115**
Inventories				
Inventories held for sale	967	913	964	986
Inventories not held for sale	5,948	6,021	6,188	6,337
Total inventories	**6,915**	**6,934**	**7,152**	**7,322**
Intangibles				
Computer software	2,920	2,915	2,873	2,714
Other	2,174	2,471	2,825	2,795
Total intangibles	**5,094**	**5,387**	**5,698**	**5,508**
Total investment properties	**504**	**504**	**504**	**504**
Total biological assets	**120**	**121**	**121**	**121**
Total heritage and cultural assets	**9,378**	**9,385**	**9,390**	**9,398**
Total assets held for sale	**99**	**92**	**106**	**89**
Other non-financial assets				
Prepayments	2,029	1,958	1,847	1,722
Other	492	692	460	451
Total other non-financial assets	**2,521**	**2,650**	**2,307**	**2,172**
Total non-financial assets	**107,177**	**111,485**	**114,868**	**117,942**

Note 17: Loans

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Promissory notes	3,885	3,691	3,716	3,742
Special drawing rights	5,084	5,051	5,051	5,051
Other	672	530	398	283
Total loans	**9,642**	**9,272**	**9,165**	**9,076**

Note 18: Employee and superannuation liabilities

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Total superannuation liability(a)	**127,744**	**132,006**	**136,330**	**140,681**
Other employee liabilities				
Leave and other entitlements	6,466	6,592	6,736	6,883
Accrued salaries and wages	260	279	280	287
Workers compensation claims	1,669	1,662	1,666	1,675
Separations and redundancies	66	66	64	64
Other	2,327	2,447	2,576	2,706
Total other employee liabilities	**10,787**	**11,046**	**11,321**	**11,615**
Total employee and superannuation liabilities	**138,531**	**143,052**	**147,651**	**152,296**

(a) For budget reporting purposes, a discount rate applied by actuaries in preparing Long Term Cost Reports is used to value the superannuation liability. This reduces the volatility in reported liabilities that would occur from year to year if the long-term government bond rate were used. Consistent with Australian Accounting Standards, the long-term government bond rate as at 30 June is used to calculate the superannuation liability for the purpose of actual reporting.

Note 19: Provisions and payables

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Suppliers payable				
Trade creditors	3,568	3,548	3,511	3,558
Operating lease rental payable	178	179	181	179
Other creditors	469	474	473	472
Total suppliers payable	**4,216**	**4,202**	**4,165**	**4,210**
Total personal benefits provisions and payable	**12,564**	**12,776**	**13,337**	**13,724**
Total subsidies provisions and payable	**2,273**	**2,331**	**2,480**	**2,625**
Grants provisions and payable				
State and Territory governments	146	139	138	133
Non-profit organisations	150	150	150	150
Private sector	412	397	390	389
Overseas	1,573	1,363	1,367	1,465
Local governments	11	11	11	11
Other	6,200	6,418	6,633	6,867
Total grants provisions and payable	**8,492**	**8,477**	**8,688**	**9,015**
Other provisions and payables				
Provisions for tax refunds	2,440	2,439	2,439	2,439
Other	9,738	9,052	8,627	8,454
Total other provisions and payables	**12,178**	**11,491**	**11,067**	**10,894**

Note 20: Reconciliation of cash

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Net operating balance (revenues less expenses)	**-34,666**	**-6,626**	**3,531**	**7,973**
less **Revenues not providing cash**				
Other	869	978	1,076	1,183
Total revenues not providing cash	**869**	**978**	**1,076**	**1,183**
plus **Expenses not requiring cash**				
Increase/(decrease) in employee entitlements	4,845	4,537	4,599	4,645
Depreciation/amortisation expense	5,613	5,221	5,454	5,645
Mutually agreed write-downs	2,368	2,262	2,378	2,519
Other	464	1,052	808	758
Total expenses not requiring cash	**13,290**	**13,072**	**13,238**	**13,567**
plus **Cash provided / (used) by working capital items**				
Decrease/(increase) in inventories	-703	-371	-434	-408
Decrease/(increase) in receivables	-3,836	-5,655	-6,342	-6,722
Decrease/(increase) in other financial assets	59	330	292	154
Decrease/(increase) in other non-financial assets	549	-23	8	23
Increase/(decrease) in benefits, subsidies and grants payable	884	442	1,114	1,040
Increase/(decrease) in suppliers' liabilities	187	-67	-66	18
Increase/(decrease) in other provisions and payables	-1,381	-759	-365	167
Net cash provided / (used) by working capital	**-4,239**	**-6,103**	**-5,792**	**-5,729**
equals (Net cash from/(to) operating activities)	-26,484	-635	9,901	14,628
plus (Net cash from/(to) investing activities)	-7,757	-10,495	-9,900	-14,137
Net cash from operating activities and investment	**-34,241**	**-11,129**	**1**	**490**
plus (Net cash from/(to) financing activities)	34,495	11,306	-57	-340
equals Net increase/(decrease) in cash held	**254**	**177**	**-56**	**151**
Cash at the beginning of the year	**1,865**	**2,119**	**2,296**	**2,240**
Net increase/(decrease) in cash	254	177	-56	151
Cash at the end of the year	**2,119**	**2,296**	**2,240**	**2,390**

Note 20(a): Consolidated Revenue Fund

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Total general government sector cash	2,119	2,296	2,240	2,390
less CAC Agency cash balances	1,610	1,635	1,659	1,771
plus Special public monies	271	271	271	271
Balance of Consolidated Revenue Fund at 30 June	**780**	**932**	**852**	**890**

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.

Attachment A

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 a single set of 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 2010-11* have been prepared on a basis consistent with the 2010-11 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.

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 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).

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.

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 debt does not include superannuation related liabilities. Net debt is a common

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.

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

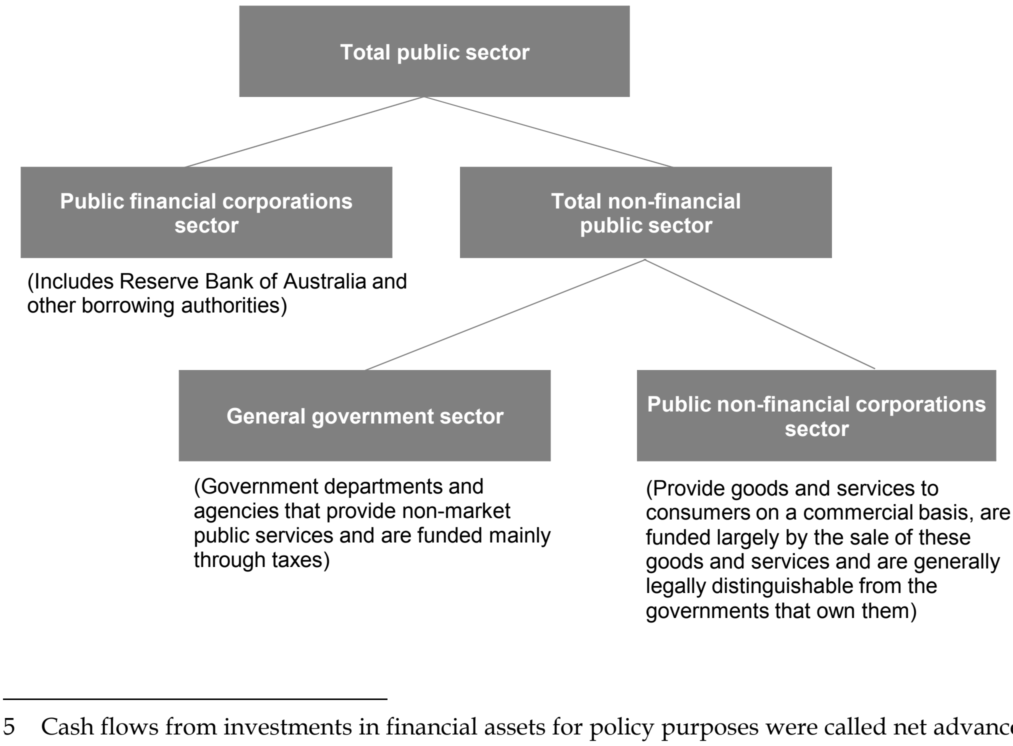
The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and Future Fund earnings to the underlying cash balance.

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, 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 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
Climate Change and Energy Efficiency Portfolio
Australian Carbon Trust Limited, Department of Climate Change and Energy Efficiency, Office of the Renewable Energy Regulator
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, 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), Australian Institute for Teaching and School Leadership Limited, Australian Learning and Teaching Council Limited.

Family, 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, Outback Stores Pty Ltd, 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

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

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, Cancer Australia, Department of Health and Ageing, Food Standards Australia New Zealand, General Practice Education and Training Limited, Health Workforce Australia, 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

General government sector entities (continued)
Immigration and Citizenship Portfolio Department of Immigration and Citizenship, Migration Review Tribunal and Refugee Review Tribunal
Infrastructure and Transport Portfolio Australian Maritime Safety Authority, Australian Transport Safety Bureau, Civil Aviation Safety Authority, Department of Infrastructure and Transport
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 Foundation Pty Limited, IIF Investments Pty Limited, IP Australia
Prime Minister and Cabinet Portfolio Australia Business Arts Foundation Ltd, Australia Council, Australian Film, Television and Radio School, Australian Institute of Family Studies, Australian National Audit Office, Australian National Maritime Museum, Australian Public Service Commission, Australian Sports Anti-Doping Authority, Australian Sports Commission, Australian Sports Foundation Limited, Bundanon Trust, Department of the Prime Minister and Cabinet, Department of Regional Australia, Regional Development and Local Government, National Archives of Australia, National Australia Day Council Limited, National Capital Authority, National Film and Sound Archive, National Gallery of Australia, National Library of Australia, National Museum of Australia, Office of the Australian Information Commissioner, 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, Old Parliament House, Screen Australia
Resources, Energy and Tourism Portfolio Australian Solar Institute Limited, Department of Resources, Energy and Tourism, Geoscience Australia, National Offshore Petroleum Safety Authority, Tourism Australia
Sustainability, Environment, Water, Population and Communities Portfolio Bureau of Meteorology, Department of Sustainability, Environment, Water, Population and Communities, Director of National Parks, Great Barrier Reef Marine Park Authority, Murray-Darling Basin Authority, National Water Commission, Sydney Harbour Federation Trust

General government sector entities (continued)

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

Human Services Portfolio

Australian Hearing Services

Infrastructure and Transport 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. AASB 1049 requires cost to be used where fair value of assets cannot be reliably measured.	ABS has updated its treatment in its GFS reports to record DWP as a non-financial asset on a market value basis. This represents an early adoption of changes to the System of National accounts.	AAS valuation
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 expected to update its treatment and will align with AAS.	AAS, early adoption of 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
Investment in Other Public Sector Entities	Valued at fair value in the balance sheet as long as it can be reliably measured, otherwise net assets is permissible.	Unlisted entities valued based on their net assets in the balance sheet.	AAS valuation
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

Attachment B

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 2010, the Australian Government nominated, and the Loan Council endorsed, a LCA deficit of $50,955 million. In the 2010-11 Budget, the Australian Government estimated a LCA deficit of $50,004 million.

As set out in Table B12, the Australian Government's revised estimate for the 2010-11 LCA is a $51,687 million deficit.

Table B12: Australian Government Loan Council Allocation

		2010-11 Budget estimate $m	MYEFO estimate $m
	GG sector cash surplus(-)/deficit(+)	37,672	38,275
	PNFC sector cash surplus(-)/deficit(+)	2,871	3,490
	NFPS cash surplus(-)/deficit(+)(a)	40,543	41,765
	Acquisitions under finance leases and similar arrangements	163	180
equals	ABS GFS cash surplus(-)/deficit(+)	40,707	41,945
minus	Net cash flows from investments in financial assets for policy purposes(b)	-10,171	-10,084
plus	Memorandum items(c)	-874	-342
	Loan Council Allocation	**50,004**	**51,687**

(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.