PART 2: AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

The 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 (PNFC) sector, the total non-financial public sector (NFPS) and the public financial corporations (PFC) sector. This part also contains notes showing disaggregated information for the GGS.

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

The Government has produced a single set of financial statements that comply with both the 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 financial statements for the *Final Budget Outcome 2012-13* have been prepared on a basis consistent with the 2013-14 Budget. This enables comparison of the 2012-13 revised estimates published at the 2013-14 Budget and the outcome. 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 Uniform Presentation Framework (UPF) — for the presentation of government financial information on a basis broadly consistent with the Australian Accounting Standards Board standard AASB 1049. The financial statements are consistent with the requirements of the UPF.

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

AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

Table 8: Australian Government general government sector operating statement

	Note	2012-13 Estimate at 2013-14 Budget $m	Month of June 2013(d) $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Revenue					
Taxation revenue	3	338,727	20,278	337,323	-1,403
Sales of goods and services	4	8,757	1,042	8,886	129
Interest income	5	3,764	458	3,646	-119
Dividend income	5	2,429	733	3,079	650
Other	6	6,284	173	7,226	942
Total revenue		**359,961**	**22,685**	**360,160**	**198**
Expenses					
Gross operating expenses					
Wages and salaries(a)	7	19,355	1,528	18,486	-869
Superannuation	7	8,102	2,553	8,402	300
Depreciation and amortisation	8	6,022	507	6,398	376
Supply of goods and services	9	72,019	6,381	71,616	-403
Other operating expenses(a)	7	5,411	830	5,705	293
Total gross operating expenses		*110,910*	*11,799*	*110,607*	*-302*
Superannuation interest expense	7	6,778	393	6,729	-49
Interest expenses	10	13,281	1,778	13,768	488
Current transfers					
Current grants	11	109,950	13,894	110,535	585
Subsidy expenses		13,201	2,250	13,733	532
Personal benefits	12	117,397	8,342	117,221	-176
Total current transfers		*240,548*	*24,485*	*241,489*	*941*
Capital transfers	11				
Mutually agreed write-downs		1,997	139	2,162	166
Other capital grants		7,926	550	7,888	-38
Total capital transfers		*9,923*	*689*	*10,051*	*128*
Total expenses		**381,439**	**39,144**	**382,644**	**1,205**
Net operating balance		**-21,478**	**-16,459**	**-22,485**	**-1,007**
Other economic flows - included in operating result					
Net write-downs of assets (including bad and doubtful debts)		-7,092	-334	-8,006	-914
Assets recognised for the first time		535	40	344	-191
Liabilities recognised for the first time		0	0	0	0
Actuarial revaluations		-798	-64	-64	734
Net foreign exchange gains		82	298	-2,283	-2,365
Net swap interest received		256	-175	15	-241
Market valuation of debt		3,467	5,087	11,498	8,032
Other gains/(losses)		12,709	-1,150	14,278	1,569
Total other economic flows - included in operating result		**9,159**	**3,703**	**15,782**	**6,623**
Operating result(b)		**-12,319**	**-12,756**	**-6,703**	**5,617**
Non-owner movements in equity					
Revaluation of equity investments		-2,201	3,852	3,835	6,036
Actuarial revaluations		-745	50,122	50,122	50,867
Other economic revaluations		661	-2,882	-2,697	-3,358
Total other economic flows - included in equity		**-2,284**	**51,093**	**51,261**	**53,545**
Comprehensive result - Total change in net worth		**-14,604**	**38,337**	**44,558**	**59,161**

Table 8: Australian Government general government sector operating statement (continued)

	2012-13 Estimate at 2013-14 Budget $m	Month of June 2013(d) $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Net operating balance	**-21,478**	**-16,459**	**-22,485**	**-1,007**
Net acquisition of non-financial assets				
Purchases of non-financial assets	7,528	1,114	8,046	518
less Sales of non-financial assets	3,661	1,507	1,729	-1,932
less Depreciation	6,022	507	6,398	376
plus Change in inventories	371	348	1,007	636
plus Other movements in non-financial assets	573	-38	62	-511
Total net acquisition of non-financial assets	**-1,212**	**-591**	**987**	**2,199**
Fiscal balance (Net lending/borrowing)(c)	**-20,266**	**-15,868**	**-23,472**	**-3,205**

(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) Operating result under AAS.
(c) The term fiscal balance is not used by the ABS.
(d) The month of June is derived by deducting May year-to-date published data from the annual outcome. Statistically, June movements in some series relate to earlier published months that are not reissued; this can result in negative movements.

Table 9: Australian Government general government sector balance sheet

	Note	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Assets				
Financial assets				
Cash and deposits	19(a)	2,470	2,094	-376
Advances paid	13	35,409	34,472	-937
Investments, loans and placements	14	103,278	111,098	7,820
Other receivables	13	44,464	44,080	-384
Equity investments				
Investments in other public sector entities		22,803	25,072	2,269
Equity accounted investments		330	300	-31
Investments - shares		33,431	33,661	231
Total financial assets		*242,184*	*250,777*	*8,592*
Non-financial assets	15			
Land		8,680	8,918	237
Buildings		23,433	23,500	67
Plant, equipment and infrastructure		53,705	52,916	-788
Inventories		7,317	7,928	610
Intangibles		5,602	5,635	34
Investment property		182	195	14
Biological assets		37	33	-4
Heritage and cultural assets		10,451	10,547	96
Assets held for sale		83	110	28
Other non-financial assets		795	292	-503
Total non-financial assets		*110,284*	*110,074*	*-210*
Total assets		**352,469**	**360,851**	**8,382**
Liabilities				
Interest bearing liabilities				
Deposits held		192	182	-10
Government securities		292,845	285,748	-7,097
Loans	16	8,588	13,567	4,979
Other borrowing		1,134	1,149	15
Total interest bearing liabilities		*302,760*	*300,647*	*-2,113*
Provisions and payables				
Superannuation liability	17	143,509	193,314	49,804
Other employee liabilities	17	14,600	14,798	198
Suppliers payable	18	4,264	6,409	2,145
Personal benefits provisions and payable	18	14,240	14,161	-79
Subsidies provisions and payable	18	3,216	3,557	342
Grants provisions and payable	18	17,030	16,233	-797
Other provisions and payables	18	13,961	14,383	422
Total provisions and payables		*210,820*	*262,855*	*52,034*
Total liabilities		**513,580**	**563,501**	**49,921**
Net worth(a)		**-161,112**	**-202,650**	**-41,539**
Net financial worth(b)		*-271,396*	*-312,724*	*-41,329*
Net financial liabilities(c)		*294,198*	*337,796*	*43,598*
Net debt(d)		*161,603*	*152,982*	*-8,621*

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

	2012-13 Estimate at 2013-14 Budget $m	Month of June 2013(d) $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Cash receipts from operating activities				
Taxes received	326,297	27,175	326,426	129
Receipts from sales of goods and services	9,043	1,041	9,071	28
Interest receipts	3,674	375	3,561	-112
Dividends and income tax equivalents	3,186	296	3,420	234
Other receipts	6,574	193	6,846	272
Total operating receipts	**348,773**	**29,079**	**349,323**	**550**
Cash payments for operating activities				
Payments for employees	-26,156	-1,343	-25,001	1,155
Payments for goods and services	-72,855	-7,618	-72,114	742
Grants and subsidies paid	-126,872	-13,979	-127,754	-882
Interest paid	-11,912	-1,170	-11,846	66
Personal benefit payments	-116,257	-7,823	-116,629	-373
Other payments	-5,288	-1,365	-5,902	-615
Total operating payments	**-359,339**	**-33,297**	**-359,247**	**92**
Net cash flows from operating activities	**-10,566**	**-4,218**	**-9,924**	**643**
Cash flows from investments in non-financial assets				
Sales of non-financial assets	1,637	1,507	1,729	92
Purchases of non-financial assets	-7,542	-1,025	-7,644	-101
Net cash flows from investments in non-financial assets	**-5,905**	**482**	**-5,915**	**-9**
Net cash flows from investments in financial assets for policy purposes	**-5,288**	**62**	**-4,802**	**486**
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	-3,733	943	-6,197	-2,463
Net cash flows from investments in financial assets for liquidity purposes	**-3,733**	**943**	**-6,197**	**-2,463**
Cash receipts from financing activities				
Borrowing	27,022	1,797	27,985	963
Other financing	0	-67	-39	-39
Total cash receipts from financing activities	**27,022**	**1,731**	**27,946**	**924**
Cash payments for financing activities				
Borrowing	0	0	0	0
Other financing	-1,583	113	-1,538	45
Total cash payments for financing activities	**-1,583**	**113**	**-1,538**	**45**
Net cash flows from financing activities	**25,439**	**1,844**	**26,407**	**969**
Net increase/(decrease) in cash held	**-54**	**-885**	**-429**	**-376**

Table 10: Australian Government general government sector cash flow statement (continued)(a)

	2012-13 Estimate at 2013-14 Budget $m	Month of June 2013(d) $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Net cash flows from operating activities and investments in non-financial assets (Surplus(+)/deficit(-))	**-16,471**	**-3,735**	**-15,838**	**633**
Finance leases and similar arrangements(b)	-404	-271	-314	90
GFS cash surplus(+)/deficit(-)	**-16,876**	**-4,006**	**-16,152**	**724**
less Net Future Fund earnings	2,501	-118	2,682	181
Equals underlying cash balance(c)	**-19,377**	**-3,888**	**-18,834**	**543**
plus Net cash flows from investments in financial assets for policy purposes	-5,288	62	-4,802	486
plus Net Future Fund earnings	2,501	-118	2,682	181
Equals headline cash balance	**-22,163**	**-3,944**	**-20,954**	**1,209**

(a) A positive number denotes a cash inflow; a negative number 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.
(d) The month of June is derived by deducting May year-to-date published data from the annual outcome. Statistically, June movements in some series relate to earlier published months that are not reissued; this can result in negative movements.

Table 11: Australian Government public non-financial corporations sector operating statement

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Revenue			
Current grants and subsidies	28	46	18
Sales of goods and services	8,951	8,692	-259
Interest income	75	84	9
Other	1	41	40
Total revenue	**9,055**	**8,863**	**-192**
Expenses			
Gross operating expenses			
Wages and salaries(a)	3,378	3,232	-146
Superannuation	275	260	-14
Depreciation and amortisation	714	635	-79
Supply of goods and services	4,403	4,251	-152
Other operating expenses(a)	472	545	73
Total gross operating expenses	*9,241*	*8,923*	*-319*
Interest expenses	168	166	-2
Other property expenses	284	289	6
Current transfers			
Tax expenses	135	37	-99
Total current transfers	*135*	*37*	*-99*
Total expenses	**9,828**	**9,415**	**-414**
Net operating balance	**-773**	**-551**	**222**
Other economic flows	**-540**	**-205**	**335**
Comprehensive result - Total change in net worth excluding contribution from owners	**-1,314**	**-757**	**557**
Net acquisition of non-financial assets			
Purchases of non-financial assets	2,485	3,787	1,302
less Sales of non-financial assets	33	109	76
less Depreciation	714	635	-79
plus Change in inventories	15	11	-5
plus Other movements in non-financial assets	617	585	-32
Total net acquisition of non-financial assets	**2,370**	**3,638**	**1,269**
Fiscal balance (Net lending/borrowing)(b)	**-3,143**	**-4,189**	**-1,047**

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

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Assets			
Financial assets			
Cash and deposits	1,409	891	-518
Investments, loans and placements	98	100	2
Other receivables	1,869	2,411	542
Equity investments	11	11	0
Total financial assets	*3,386*	*3,412*	*26*
Non-financial assets			
Land and fixed assets	12,553	12,538	-15
Other non-financial assets(a)	1,629	1,634	5
Total non-financial assets	*14,182*	*14,173*	*-9*
Total assets	**17,568**	**17,585**	**17**
Liabilities			
Interest bearing liabilities			
Loans(b)	0	2,508	2,508
Other borrowing(b)	3,694	1,341	-2,353
Total interest bearing liabilities	*3,694*	*3,849*	*155*
Provisions and payables			
Superannuation liability	0	59	59
Other employee liabilities	1,795	1,239	-556
Other provisions and payables(a)	2,462	2,514	52
Total provisions and payables	*4,257*	*3,812*	*-445*
Total liabilities	**7,951**	**7,662**	**-290**
Shares and other contributed capital	**9,617**	**9,923**	**307**
Net worth(c)	**9,617**	**9,923**	**307**
Net financial worth(d)	*-4,565*	*-4,249*	*316*
Net debt(e)	*2,187*	*2,858*	*671*

(a) Excludes the impact of commercial taxation adjustments.
(b) From 2012-13 FBO, loans are separated from other borrowing consistent with the General Government Sector.
(c) 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. The AASB 1049 method is used in this table.
(d) 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. The AASB 1049 method is used in this table.
(e) Net debt equals the sum of interest bearing liabilities (deposits held, advances received, loans and other borrowing), minus the sum of cash and deposits and investments, loans and placements.

Table 13: Australian Government public non-financial corporations sector cash flow statement[(a)]

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Cash receipts from operating activities			
Receipts from sales of goods and services	9,901	9,556	-346
Grants and subsidies received	0	4	4
GST input credit receipts	235	56	-179
Other receipts	77	101	25
Total operating receipts	**10,213**	**9,716**	**-497**
Cash payments for operating activities			
Payments to employees	-4,040	-3,914	126
Payments for goods and services	-5,053	-5,323	-270
Interest paid	-60	-72	-12
GST payments to taxation authority	-501	-104	397
Other payments	-93	-71	22
Total operating payments	**-9,746**	**-9,484**	**263**
Net cash flows from operating activities	**467**	**233**	**-234**
Cash flows from investments in non-financial assets			
Sales of non-financial assets	34	50	15
Purchases of non-financial assets	-3,099	-3,284	-184
Net cash flows from investments in non-financial assets	**-3,065**	**-3,234**	**-169**
Net cash flows from investments in financial assets for policy purposes	**138**	**0**	**-138**
Cash flows from investments in financial assets for liquidity purposes			
Increase in investments	-1,044	-902	142
Net cash flows from investments in financial assets for liquidity purposes	**-1,044**	**-902**	**142**
Net cash flows from financing activities			
Borrowing (net)	462	681	219
Other financing (net)	2,913	2,574	-339
Distributions paid (net)	-294	-293	0
Net cash flows from financing activities	**3,081**	**2,961**	**-119**
Net increase/(decrease) in cash held	**-424**	**-941**	**-518**
Cash at the beginning of the year	**1,832**	**1,832**	**0**
Cash at the end of the year	**1,409**	**891**	**-518**
Net cash from operating activities and investments in non-financial assets	**-2,599**	**-3,001**	**-402**
Distributions paid	-294	-293	0
Equals surplus(+)/deficit(-)	**-2,892**	**-3,294**	**-402**
Finance leases and similar arrangements(b)	0	-1,074	-1,074
GFS cash surplus(+)/deficit(-)	**-2,892**	**-4,369**	**-1,476**

(a) A positive number denotes a cash inflow; a negative number 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 14: Australian Government total non-financial public sector operating statement

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Revenue			
Taxation revenue	338,591	337,287	-1,305
Sales of goods and services	16,391	16,252	-139
Interest income	3,820	3,710	-110
Dividend income	2,146	2,790	644
Other	6,285	7,267	982
Total revenue	**367,233**	**367,306**	**73**
Expenses			
Gross operating expenses			
Wages and salaries(a)	22,733	21,718	-1,015
Superannuation	8,377	8,663	286
Depreciation and amortisation	6,736	7,033	297
Supply of goods and services	75,105	74,542	-564
Other operating expenses(a)	5,883	6,250	367
Total gross operating expenses	*118,834*	*118,205*	*-630*
Superannuation interest expense	6,778	6,729	-49
Interest expenses	13,428	13,915	486
Current transfers			
Current grants	109,950	110,535	585
Subsidy expenses	13,174	13,687	513
Personal benefits	117,397	117,221	-176
Total current transfers	*240,521*	*241,443*	*922*
Capital transfers	9,923	10,051	128
Total expenses	**389,484**	**390,342**	**858**
Net operating balance	**-22,251**	**-23,036**	**-785**
Other economic flows	**7,485**	**69,281**	**61,796**
Comprehensive result - Total change in net worth	**-14,766**	**46,245**	**61,011**
Net acquisition of non-financial assets			
Purchases of non-financial assets	10,013	11,832	1,820
less Sales of non-financial assets	3,694	1,838	-1,856
less Depreciation	6,736	7,033	297
plus Change in inventories	386	1,017	631
plus Other movements in non-financial assets	1,190	647	-543
Total net acquisition of non-financial assets	**1,158**	**4,625**	**3,467**
Fiscal balance (Net lending/borrowing)(b)	**-23,409**	**-27,661**	**-4,252**

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

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Assets			
Financial assets			
Cash and deposits	3,879	2,985	-893
Advances paid	35,409	34,472	-937
Investments, loans and placements	103,092	110,894	7,803
Other receivables	46,206	45,472	-735
Equity investments	44,622	48,634	4,012
Total financial assets	*233,207*	*242,458*	*9,250*
Non-financial assets			
Land and fixed assets	116,139	116,347	208
Other non-financial assets	8,327	7,900	-427
Total non-financial assets	*124,466*	*124,247*	*-219*
Total assets	**357,673**	**366,704**	**9,031**
Liabilities			
Interest bearing liabilities			
Deposits held	192	182	-10
Government securities	292,845	285,748	-7,097
Loans	8,304	15,772	7,468
Other borrowing	4,828	2,490	-2,338
Total interest bearing liabilities	*306,170*	*304,193*	*-1,977*
Provisions and payables			
Superannuation liability	143,509	193,372	49,863
Other employee liabilities	16,395	16,037	-358
Other provisions and payables	55,047	56,239	1,192
Total provisions and payables	*214,951*	*265,648*	*50,697*
Total liabilities	**521,121**	**569,841**	**48,720**
Shares and other contributed capital	**9,617**	**9,923**	**307**
Net worth(a)	**-163,448**	**-203,136**	**-39,689**
Net financial worth(b)	*-287,913*	*-327,383*	*-39,470*
Net debt(c)	*163,790*	*155,841*	*-7,950*

(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. The AASB 1049 method is used in this table.

(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. The AASB 1049 method is used in this table.

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

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Cash receipts from operating activities			
Taxes received	326,206	326,195	-11
Receipts from sales of goods and services	17,292	16,500	-793
Interest receipts	3,729	3,627	-102
Dividends and income tax equivalents	2,892	3,126	234
Other receipts	6,575	6,861	286
Total operating receipts	**356,694**	**356,309**	**-385**
Cash payments for operating activities			
Payments to employees	-30,196	-28,915	1,281
Payments for goods and services	-76,522	-75,198	1,324
Grants and subsidies paid	-126,872	-127,750	-879
Interest paid	-11,952	-11,898	54
Personal benefit payments	-116,257	-116,629	-373
Other payments	-5,289	-5,903	-614
Total operating payments	**-367,087**	**-366,293**	**794**
Net cash flows from operating activities	**-10,393**	**-9,984**	**409**
Cash flows from investments in non-financial assets			
Sales of non-financial assets	1,672	1,779	107
Purchases of non-financial assets	-10,642	-10,928	-286
Net cash flows from investments in non-financial assets	**-8,970**	**-9,149**	**-178**
Net cash flows from investments in financial assets for policy purposes	**-2,286**	**-2,189**	**97**
Cash flows from investments in financial assets for liquidity purposes			
Increase in investments	-4,777	-7,099	-2,321
Net cash flows from investments in financial assets for liquidity purposes	**-4,777**	**-7,099**	**-2,321**
Net cash flows from financing activities			
Borrowing (net)	27,483	28,666	1,182
Other financing (net)	-1,534	-1,617	-83
Net cash flows from financing activities	**25,949**	**27,049**	**1,100**
Net increase/(decrease) in cash held	**-477**	**-1,371**	**-893**
Cash at the beginning of the year	**4,356**	**4,356**	**0**
Cash at the end of the year	**3,879**	**2,985**	**-893**
Net cash from operating activities and investments in non-financial assets	**-19,363**	**-19,132**	**231**
Distributions paid	0	0	0
Equals surplus(+)/deficit(-)	**-19,363**	**-19,132**	**231**
Finance leases and similar arrangements(b)	-404	-1,388	-984
GFS cash surplus(+)/deficit(-)	**-19,768**	**-20,521**	**-753**

(a) A positive number denotes a cash inflow; a negative number 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 17: Australian Government public financial corporations sector operating statement

	2012-13 Outcome $m
Revenue	
Current grants and subsidies	170
Sales of goods and services	6,140
Interest income	1,842
Other	90
Total revenue	**8,242**
Expenses	
Gross operating expenses	
Wages and salaries(a)	874
Superannuation	129
Depreciation and amortisation	66
Other operating expenses(a)	5,438
Total gross operating expenses	*6,507*
Interest expenses	782
Other property expenses	677
Current transfers	
Tax expenses	73
Total current transfers	*73*
Total expenses	**8,039**
Net operating balance	**202**
Other economic flows	**3,162**
Comprehensive result - Total change in net worth excluding contribution from owners	**3,364**
Net acquisition of non-financial assets	
Purchases of non-financial assets	25
less Sales of non-financial assets	1
less Depreciation	66
plus Change in inventories	-12
plus Other movements in non-financial assets	3
Total net acquisition of non-financial assets	**-51**
Fiscal balance (Net lending/borrowing)(b)	**253**

(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 18: Australian Government public financial corporations sector balance sheet

	2012-13 Outcome $m
Assets	
Financial assets	
Cash and deposits	1,095
Investments, loans and placements	102,796
Other receivables	571
Equity investments	740
Total financial assets	*105,201*
Non-financial assets	
Land and other fixed assets	999
Other non-financial assets(a)	54
Total non-financial assets	*1,053*
Total assets	**106,255**
Liabilities	
Interest bearing liabilities	
Deposits held	83,126
Borrowing	7,596
Total interest bearing liabilities	*90,723*
Provisions and payables	
Superannuation liability	30
Other employee liabilities	1,311
Other provisions and payables(a)	2,059
Total provisions and payables	*3,400*
Total liabilities	**94,122**
Shares and other contributed capital	**12,132**
Net worth(b)	**12,132**
Net financial worth(c)	*11,079*
Net debt(d)	*-13,168*

(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. The AASB 1049 method is used in this table.
(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. The AASB 1049 method is used in this table.
(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 19: Australian Government public financial corporations sector cash flow statement[(a)]

	2012-13 Outcome $m
Cash receipts from operating activities	
Receipts from sales of goods and services	5,893
Grants and subsidies received	170
GST input credit receipts	18
Interest receipts	1,898
Other receipts	76
Total operating receipts	**8,055**
Cash payments for operating activities	
Payments to employees	-669
Payments for goods and services	-4,796
Interest paid	-838
GST payments to taxation authority	0
Other payments	-1,002
Total operating payments	**-7,305**
Net cash flows from operating activities	**749**
Cash flows from investments in non-financial assets	
Sales of non-financial assets	1
Purchases of non-financial assets	-26
Net cash flows from investments in non-financial assets	**-24**
Net cash flows from investments in financial assets for policy purposes	**0**
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-10,757
Net cash flows from investments in financial assets for liquidity purposes	**-10,757**
Net cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	7,966
Deposits received (net)	0
Other financing (net)	3,341
Distributions paid (net)	-1,082
Net cash flows from financing activities	**10,224**
Net increase/(decrease) in cash held	**192**
Cash at the beginning of the year	**903**
Cash at the end of the year	**1,095**
Net cash from operating activities and investments in non-financial assets	**725**
Distributions paid	-1,082
Equals surplus(+)/deficit(-)	**-357**
Finance leases and similar arrangements(b)	0
GFS cash surplus(+)/deficit(-)	**-357**

(a) A positive number denotes a cash inflow; a negative number 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 20: Australian Government general government sector purchases of non-financial assets by function

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
General public services	445	969	524
Defence	4,920	5,068	148
Public order and safety	439	377	-62
Education	38	40	2
Health	103	62	-41
Social security and welfare	277	369	93
Housing and community amenities	160	56	-103
Recreation and culture	326	261	-65
Fuel and energy	-4	6	10
Agriculture, forestry and fishing	150	310	161
Mining, manufacturing and construction	29	8	-21
Transport and communication	77	64	-13
Other economic affairs	574	455	-119
Other purposes	-6	0	6
Total Government purchases of non-financial assets	**7,528**	**8,046**	**518**

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 final budget outcome be based on external reporting standards and that departures from applicable external reporting standards be identified.

The external standards used for final budget outcome reporting purposes are:

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

- the Australian Accounting Standards (AAS) issued by the Australian Accounting Standards Board (AASB), which includes International Financial Reporting Standards (IFRS) as adopted in Australia and the public sector specific standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

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 22 in Attachment A explains the key differences between the two frameworks. Detailed accounting policies, as required by AAS, are disclosed in the annual consolidated financial statements.

Fiscal 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 the public financial corporations (PFC) sector, are disclosed in Table 21 of Attachment A.

The statements for the GGS are based on audit-cleared financial statements for the material agencies, with the exception of the Department of Defence and the Department of Veterans' Affairs.

The Government's key fiscal aggregates are based on ABS GFS concepts and definitions, including the ABS GFS cash surplus/deficit and the derivation of the underlying cash balance and net financial worth. AASB 1049 requires the disclosure of other ABS GFS fiscal aggregates, including net operating balance, net lending/borrowing (fiscal balance) and net worth. In addition to these ABS GFS aggregates, the Uniform Presentation Framework (UPF) requires disclosure of 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 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 because excluding such provisions would overstate the value of Australian Government assets in the balance sheet. The financial statements currently adopt 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. Instead, the financial statements adopt AAS treatment for circulating coins (seigniorage). Under this treatment, seigniorage revenue is recognised upon the issue of coins and no liability is recorded.

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 the ABS is consistent with the National Accounts statistical methodology, and represents an early adoption of changes to the *System of National Accounts 2008*. 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 with long repayment periods are recorded at fair value (by discounting them by market interest rates). The difference between the nominal value and the fair value of the loan is recorded as an expense that is written back over the life of the loan.

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 reliably measured, otherwise net assets is permissible. The AAS treatment has been adopted in the financial statements.

Movements in the provision for restoration, decommissioning and make-good of assets have been included in the calculation of the fiscal balance capital adjustment because in many cases they involve legal obligations to expend resources. ABS GFS does not recognise adjustments for such provisions because they are considered a constructive obligation that may not materialise for many years.

ABS GFS treats the issuance and registration of Renewable Energy Certificates (RECs) under the Renewable Energy Target and Australian Carbon Credit Units (ACCUs) under the Carbon Farming Initiative as government financial transactions resulting in the recognition of assets, liabilities, tax revenue and expenses.

Under the interpretation of the AAS, issuance and registration of such certificates is considered to be an administrative function and does not result in the recognition of an asset or liability and therefore no tax revenue or expense is recognised. The AAS treatment has been adopted in the financial statements.

Departures from AAS

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

Under AAS, prepayments are classified as non-financial assets. In accordance with ABS GFS, prepayments have been classified as financial assets in the financial statements. This treatment is consistent with the exclusion of prepayments from net acquisition of non-financial assets in the calculation of the fiscal balance.

In 2012-13, during the first year of the fixed price period, the price of carbon units was set under the *Clean Energy Act 2011*. A preliminary interpretation based on the AASB issued staff paper recognises transactions under the carbon pricing mechanism in the financial statements where they are expected to result in a receipt or payment of cash by the government at the amount of the expected cash settlement. The issuance and surrender of free carbon units and ACCUs used in the settlement of emissions liabilities do not qualify for recognition by the government as assets, liabilities, revenues or expenses. The audited accounts of the Clean Energy Regulator apply the AAS treatment.

The published outcome for carbon pricing mechanism revenue adopts the ABS GFS treatment as used in the 2013-14 Budget. Under ABS GFS, the issuance of free carbon units that are expected to be used to settle an emitter's obligation are treated as an expense on issue and revenue when emissions occur. The ABS GFS outcome was derived by adjusting the AAS revenue and expense from the audited accounts of the Clean Energy Regulator, which includes AAS revenue of $5,047 million, for free carbon units. This adjustment had no net impact on the fiscal balance.

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 total assets to be attributed to functions. In accordance with ABS GFS, disaggregated information for expenses and net acquisition of non-financial assets by function is disclosed in Part 1. 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 ABS GFS measurement of items, where different, in notes to the financial statements. Differences from the AAS measurement of items outlined above and reconciliation have not been included as they would effectively create different measures of the same aggregate.

AASB 1049 requires major variances between original budget estimates and outcomes to be explained in the financial statements. Explanations of major variances for the 2012-13 year from the 2012-13 Budget to the 2012-13 Mid-Year Economic and Fiscal Outlook (MYEFO) are discussed in Part 3 of the 2012-13 MYEFO. Explanations of variances for the 2012-13 year from MYEFO to the 2013-14 Budget are disclosed in Statement 3 of 2013-14 Budget Paper No. 1, *Budget Strategy and Outlook*. Explanations of variances from the 2013-14 Budget to the *Final Budget Outcome 2012-13* are disclosed in Part 1.

All decisions taken between the original budget and MYEFO are disclosed in Appendix A of the *Mid-Year Economic and Fiscal Outlook 2012-13*. Decisions taken from MYEFO to the 2013-14 Budget are disclosed in 2013-14 Budget Paper No. 2, *Budget Measures*. In addition, 2013-14 Budget Paper No. 1, *Budget Strategy and Outlook* contains detailed discussion on the estimates of revenue (Statement 5), expenses (Statement 6) and assets and liabilities (Statement 7).

AASB 1049 also requires the Final Budget Outcome (FBO) and Consolidated Financial Statements (CFS) to be released at the same time. The Charter requires the FBO to be released before the end of three months after the end of the financial year, whereas the CFS is not released until it is audit-cleared, generally around November each year.

In addition to above adjustments, there are specific adjustments made to the corporations sectors as outlined below.

Public non-financial corporations (PNFC) sector, public financial corporations (PFC) sector and total non-financial public sector (NFPS)

Departures from ABS GFS

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

Departures from AAS

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

AAS requires dividends paid to be classified as a distribution of equity. Under ABS GFS, dividends paid are classified as an expense. The ABS GFS treatment has been adopted for use in the financial statements.

Australian Government public corporations use commercial tax effect accounting to determine their net tax liability while the ATO determines their tax liability on a due and payable basis. To ensure symmetry in treatment between Australian Government sectors, the ABS removes tax effect adjustments. The ABS GFS treatment has been adopted in the financial statements.

Note 3: Taxation revenue by type

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Individuals' and other withholding taxes			
Gross income tax withholding	151,660	151,069	-591
Gross other individuals	35,940	36,283	343
less: Refunds	26,750	26,801	51
Total individuals' and other withholding taxation	160,850	160,551	-299
Fringe benefits tax	3,890	3,971	81
Company tax	68,132	68,208	75
Superannuation funds	7,800	7,581	-219
Resource rent taxes(a)	1,740	1,927	187
Income taxation revenue	**242,412**	**242,238**	**-174**
Sales taxes			
Goods and services tax	50,220	50,313	93
Wine equalisation tax	730	716	-14
Luxury car tax	430	432	2
Total sales taxes	51,380	51,462	82
Excise duty			
Petrol	6,000	6,079	79
Diesel	8,610	8,640	30
Beer	1,950	1,958	8
Other excisable products(b)	9,030	9,033	3
Of which: Other excisable beverages(c)	900	914	14
Total excise duty revenue	25,590	25,710	120
Customs duty			
Textiles, clothing and footwear	680	676	-4
Passenger motor vehicles	920	892	-28
Excise-like goods	5,660	5,458	-202
Other imports	1,540	1,500	-40
less: Refunds and drawbacks	330	354	24
Total customs duty revenue	8,470	8,172	-298
Carbon pricing mechanism(d)	7,540	6,535	-1,005
Other indirect taxation			
Agricultural levies	463	476	12
Other taxes	2,871	2,730	-141
Total other indirect taxation revenue	3,335	3,206	-129

Note 3: Taxation revenue by type (continued)

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Mirror taxes	485	484	0
less Transfers to States in relation to mirror tax revenue	485	484	0
Mirror tax revenue	0	0	0
Indirect taxation revenue	**96,315**	**95,085**	**-1,229**
Taxation revenue	**338,727**	**337,323**	**-1,403**
Memorandum:			
Medicare levy revenue	*9,720*	*9,788*	*68*

(a) Comprises gross revenue from the PRRT and MRRT. Net revenue from the MRRT was $0.2 billion in 2012-13 which represents the net impact across different revenue heads. These include offsetting reductions in company tax (through deductibility) and interactions with other taxes.

(b) Tobacco figures are not separately reported because of taxpayer confidentiality. Since the 2013-14 Budget was published, legislation has been passed that allows for separate reporting of tobacco figures. As the legislation was not retrospective, this does not apply to the 2012-13 outcome.

(c) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(d) Tax revenue includes carbon accrual revenue measured at the legislated price, with details of the accounting treatment of carbon revenue set out in Note 2 to the General Government Sector Financial Statements.

Note 3(a): Taxation revenue by source

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Taxes on income, profits and capital gains			
Income and capital gains levied on individuals	164,740	164,529	-211
Income and capital gains levied on enterprises	77,672	77,709	37
Total taxes on income, profits and capital gains	**242,412**	**242,238**	**-174**
Taxes on employers' payroll and labour force	529	646	117
Taxes on the provision of goods and services			
Sales/goods and services tax	51,380	51,462	82
Excises and levies	26,053	26,186	133
Taxes on international trade	8,470	8,172	-298
Total taxes on the provision of goods and services	**85,903**	**85,820**	**-83**
Other sale of goods and services	9,882	8,618	-1,264
Total taxation revenue	**338,727**	**337,323**	**-1,403**
Memorandum:			
Medicare levy revenue	*9,720*	*9,788*	*68*

Note 4: Sales of goods and services revenue

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Sales of goods	1,492	1,283	-209
Rendering of services	4,031	3,878	-153
Operating lease rental	53	46	-6
Fees from regulatory services	3,182	3,679	497
Total sales of goods and services revenue	**8,757**	**8,886**	**129**

Note 5: Interest and dividend revenue

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Interest from other governments			
State and Territory debt	10	10	1
Local Government	0	1	1
Housing agreements	160	139	-21
Total interest from other governments	**170**	**150**	**-20**
Interest from other sources			
Advances	44	42	-2
Deposits	100	131	31
Bank deposits	157	181	24
Indexation of HELP receivable and other student loans	503	377	-126
Other	2,790	2,763	-27
Total interest from other sources	**3,594**	**3,495**	**-99**
Total interest	**3,764**	**3,646**	**-119**
Dividends			
Dividends from other public sector entities	691	972	281
Other dividends	1,739	2,107	369
Total dividends	**2,429**	**3,079**	**650**
Total interest and dividend revenue	**6,194**	**6,725**	**531**

Note 6: Other sources of non-taxation revenue

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Industry contributions	39	56	17
Royalties	1,785	1,798	13
Seigniorage	136	134	-2
Other	4,324	5,238	914
Total other sources of non-taxation revenue	**6,284**	**7,226**	**942**

Note 7: Employee and superannuation expense

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Wages and salaries expenses	**19,355**	**18,486**	**-869**
Other operating expenses			
Leave and other entitlements	2,514	2,624	109
Separations and redundancies	126	261	135
Workers compensation premiums and claims	700	843	143
Other	2,072	1,977	-95
Total other operating expenses	**5,411**	**5,705**	**293**
Superannuation expenses			
Superannuation	8,102	8,402	300
Superannuation interest cost	6,778	6,729	-49
Total superannuation expenses	**14,880**	**15,131**	**251**
Total employee and superannuation expense	**39,646**	**39,322**	**-324**

Note 8: Depreciation and amortisation expense

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Depreciation			
Specialist military equipment	2,579	2,688	109
Buildings	1,273	1,351	78
Other infrastructure, plant and equipment	1,320	1,430	111
Heritage and cultural assets	36	50	14
Total depreciation	**5,208**	**5,520**	**312**
Total amortisation	**815**	**879**	**64**
Total depreciation and amortisation expense	**6,022**	**6,398**	**376**

Note 9: Supply of goods and services expense

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Supply of goods and services	22,931	22,277	-654
Operating lease rental expenses	2,518	2,626	108
Personal benefits - indirect	39,671	39,283	-388
Health care payments	5,391	5,214	-177
Other	1,509	2,216	707
Total supply of goods and services expense	**72,019**	**71,616**	**-403**

Note 10: Interest expense

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Interest on debt			
Government securities	12,200	12,225	25
Loans	9	10	1
Other	550	533	-17
Total interest on debt	**12,759**	**12,769**	**9**
Other financing costs	**521**	**1,000**	**478**
Total interest expense	**13,281**	**13,768**	**488**

Note 11: Current and capital grants expense

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Current grants expense			
State and Territory governments	84,585	84,869	284
Local governments	34	16	-18
Private sector	1,752	1,799	46
Overseas	4,115	4,086	-30
Non-profit organisations(a)(b)	1,740	3,132	1,392
Multi-jurisdictional sector(a)	9,408	9,108	-299
Other(b)	8,316	7,524	-791
Total current grants expense	**109,950**	**110,535**	**585**
Capital grants expense			
Mutually agreed write-downs	1,997	2,162	166
Other capital grants			
State and Territory governments	6,931	7,032	101
Local governments	407	406	-1
Private sector	150	48	-102
Multi-jurisdictional sector	95	92	-3
Other	344	311	-33
Total capital grants expense	**9,923**	**10,051**	**128**
Total grants expense	**119,873**	**120,586**	**713**

(a) Includes reallocation of some programs between grants to non-profit organisations and grants to the multi-jurisdictional sector since the 2013-14 Budget.
(b) Includes reallocation of some programs between grants to non-profit organisations and grants to other since the 2013-14 Budget.

Note 12: Personal benefits expense

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Social welfare - assistance to the aged	37,282	37,164	-118
Assistance to veterans and dependants	6,202	6,085	-116
Assistance to people with disabilities	21,204	21,386	182
Assistance to families with children	34,328	34,176	-152
Assistance to the unemployed	8,559	8,518	-42
Student assistance	3,349	3,460	111
Other welfare programs	1,396	1,311	-85
Financial and fiscal affairs	359	352	-7
Vocational and industry training	274	277	3
Other	4,444	4,492	49
Total personal benefits expense	**117,397**	**117,221**	**-176**

Note 13: Advances paid and other receivables

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Advances paid			
Loans to State and Territory governments	2,805	2,486	-319
Higher Education Loan Program	22,349	21,575	-774
Student Financial Supplement Scheme	653	677	24
Other	9,628	9,759	130
less Provision for doubtful debts	26	24	-2
Total advances paid	**35,409**	**34,472**	**-937**
Other receivables			
Goods and services receivable	976	782	-194
Recoveries of benefit payments	2,940	3,242	302
Taxes receivable	22,344	20,491	-1,852
Prepayments	2,439	2,463	24
Other	19,131	20,291	1,160
less Provision for doubtful debts	3,366	3,189	-177
Total other receivables	**44,464**	**44,080**	**-384**

Note 14: Investments, loans and placements

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Investments - deposits	30,103	32,455	2,352
IMF quota	4,830	5,247	417
Other	68,345	73,395	5,051
Total investments, loans and placements	**103,278**	**111,098**	**7,820**

Note 15: Non-financial assets

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Land and buildings			
Land	8,680	8,918	237
Buildings	23,433	23,500	67
Total land and buildings	**32,113**	**32,418**	**305**
Plant, equipment and infrastructure			
Specialist military equipment	40,794	40,306	-488
Other	12,911	12,610	-301
Total plant, equipment and infrastructure	**53,705**	**52,916**	**-788**
Inventories			
Inventories held for sale	1,144	1,183	39
Inventories not held for sale	6,173	6,745	571
Total inventories	**7,318**	**7,928**	**610**
Intangibles			
Computer software	3,402	3,579	176
Other	2,199	2,056	-143
Total intangibles	**5,602**	**5,635**	**34**
Total investment properties	**182**	**195**	**14**
Total biological assets	**37**	**33**	**-4**
Total heritage and cultural assets	**10,451**	**10,547**	**96**
Total assets held for sale	**83**	**110**	**28**
Total other non-financial assets	**795**	**292**	**-503**
Total non-financial assets	**110,284**	**110,074**	**-210**

Note 16: Loans

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Promissory notes	3,176	3,167	-9
Special drawing rights	4,586	4,999	413
Other	827	5,401	4,574
Total loans	**8,588**	**13,567**	**4,979**

Note 17: Employee and superannuation liabilities

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Total superannuation liability(a)	**143,509**	**193,314**	**49,804**
Other employee liabilities			
Leave and other entitlements	7,378	7,397	19
Accrued salaries and wages	628	654	27
Workers compensation claims	2,594	3,087	493
Separations and redundancies	63	100	37
Other	3,936	3,558	-378
Total other employee liabilities	**14,600**	**14,798**	**198**
Total employee and superannuation liabilities	**158,109**	**208,111**	**50,002**

(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 AAS, the long-term government bond rate as at 30 June is used to calculate the superannuation liability for the purpose of actuals reporting.

Note 18: Provisions and payables

	2012-13 Estimate at 2013-14 Budget $m	2012-13 Outcome $m	Change on 2013-14 Budget $m
Suppliers payable			
Trade creditors	3,744	4,009	265
Operating lease rental payable	202	209	8
Other creditors	318	2,191	1,873
Total suppliers payable	**4,264**	**6,409**	**2,145**
Total personal benefits provisions and payable	**14,240**	**14,161**	**-79**
Total subsidies provisions and payable	**3,216**	**3,557**	**342**
Grants provisions and payable			
State and Territory governments	339	807	468
Non-profit organisations	218	112	-106
Private sector	488	393	-96
Overseas	1,502	1,390	-112
Local governments	7	12	5
Other	14,476	13,519	-957
Total grants provisions and payable	**17,030**	**16,233**	**-797**
Other provisions and payables			
Provisions for tax refunds	2,970	3,391	420
Other	10,991	10,992	2
Total other provisions and payables	**13,961**	**14,383**	**422**

Note 19: Reconciliation of cash

	2012-13 Estimate at 2013-14 Budget	2012-13 Outcome	Change on 2013-14 Budget
	$m	$m	$m
Operating balance (revenues less expenses)	**-21,478**	**-22,485**	**-1,007**
less **Revenues not providing cash**			
Other	735	559	-176
Total revenues not providing cash	**735**	**559**	**-176**
plus **Expenses not requiring cash**			
Increase / (decrease) in employee entitlements	8,184	7,882	-302
Depreciation / amortisation expense	6,046	6,429	383
Mutually agreed write-downs	1,997	2,162	166
Other	90	361	271
Total expenses not requiring cash	**16,317**	**16,834**	**517**
plus **Cash provided / (used) by working capital items**			
Decrease / (increase) in inventories	-260	-797	-537
Decrease / (increase) in receivables	-8,501	-8,317	185
Decrease / (increase) in other financial assets	1,280	921	-358
Decrease / (increase) in other non-financial assets	64	32	-31
Increase / (decrease) in benefits, subsidies and grants payable	4,212	4,786	574
Increase / (decrease) in suppliers' liabilities	-757	107	865
Increase / (decrease) in other provisions and payables	-706	-447	259
Net cash provided / (used) by working capital	**-4,670**	**-3,714**	**956**
equals (Net cash from / (to) operating activities)	-10,566	-9,924	643
plus (Net cash from / (to) investing activities)	-14,926	-16,913	-1,987
Net cash from operating activities and investment	**-25,492**	**-26,837**	**-1,344**
plus (Net cash from / (to) financing activities)	25,439	26,407	969
equals Net increase / (decrease) in cash	**-54**	**-429**	**-376**
Cash at the beginning of the year	**2,523**	**2,523**	**0**
Net increase / (decrease) in cash	-54	-429	-376
Cash at the end of the year	**2,470**	**2,094**	**-376**

Note 19(a): Consolidated Revenue Fund

	2012-13 Estimate at 2013-14 Budget	2012-13 Outcome	Change on 2013-14 Budget
	$m	$m	$m
Total general government sector cash	2,470	2,094	-376
less CAC Agency cash balances	1,800	1,952	152
plus Special public monies	382	311	-71
Balance of Consolidated Revenue Fund at 30 June	**1,052**	**453**	**-599**

The cash balances reflected in the balance sheet for the Australian Government GGS (Table 9) 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 Final Budget Outcome (FBO) 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 *Final Budget Outcome 2012-13* have been prepared on a basis consistent with the 2013-14 Budget. This enables comparison of the 2012-13 revised estimates published at the 2013-14 Budget and the outcome. 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 Uniform Presentation Framework (UPF) also provide a basis for reporting of the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors and the total non-financial public sector (NFPS).

General Government Sector Financial Reporting (AASB 1049)

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

AASB 1049 history and conceptual framework

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

The reporting framework for AASB 1049 requires the preparation of accrual-based general purpose financial reports, showing government assets, liabilities, revenue, expenses and cash flows. GGS reporting under AASB 1049 aims to provide users with information about the stewardship of each government in relation to its GGS and accountability for the resources entrusted to it; information about the financial position, performance and cash flows of each government's GGS; and information that facilitates assessments of the macroeconomic impact. While AASB 1049 provides a basis for whole-of-government and GGS outcome reporting (including the PNFC and PFC sectors), budget reporting and budget outcome 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 and 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 borrowing) less the sum of selected financial assets[3] (cash and deposits, advances paid, and investments, loans and placements).

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.

This includes financial assets held by the Future Fund which are invested in these asset classes, including term deposits and investments in collective investment vehicles. Net debt does not include superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

Cash flow statement

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

Underlying cash balance

The underlying cash balance plus net 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. 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

Net Future Fund earnings

equals

Underlying cash balance

The Government has excluded net Future Fund earnings from the calculations of the underlying cash balance. Previously, the underlying cash balance only excluded the gross earnings of the Future Fund. Under the *Future Fund Act 2006*, earnings are required to be reinvested to meet the Government's future public sector

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.

superannuation liabilities. The Future Fund becomes available to meet the Government's superannuation liabilities from 2020.

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

Net Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table 10 of this statement and the historical tables in Appendix B.

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 (HELP), and contributions to international organisations that increase the Australian Government's financial assets.

Sectoral classifications

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

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

Figure 1: Institutional structure of the public sector

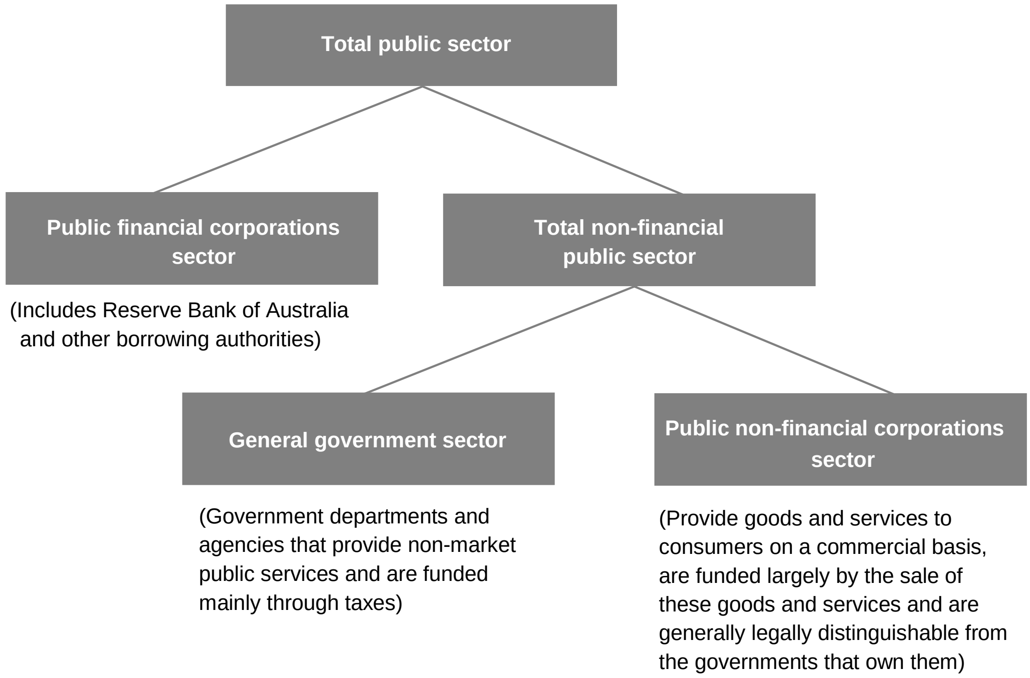

Table 21: Entities within the sectoral classifications

General government sector entities
Agriculture, Fisheries and Forestry Portfolio Australian Fisheries Management Authority, Australian Pesticides and Veterinary Medicines Authority, 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, Wine Australia Corporation
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, CrimTrac Agency, Family Court and Federal Circuit Court, Federal Court of Australia, High Court of Australia, Insolvency and Trustee Service Australia, National Native Title Tribunal, Office of the Australian Information Commissioner, Office of the Director of Public Prosecutions, Office of Parliamentary Counsel
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, Telecommunications Universal Service Management Agency
Defence Portfolio AAF Company, Army and Air Force Canteen Service, Australian Military Forces Relief Trust Fund, Australian Strategic Policy Institute Limited, Australian War Memorial, Defence Housing Australia, Defence Materiel Organisation, Department of Defence, Department of Veterans' Affairs, RAAF Welfare Recreational Company, Royal Australian Air Force Veterans' Residences Trust Fund, Royal Australian Air Force Welfare Trust Fund, Royal Australian Navy Central Canteens Board, Royal Australian Navy Relief Trust Fund

Table 21: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Education, Employment and Workplace Relations Portfolio
Australian Curriculum, Assessment and Reporting Authority, Australian Institute for Teaching and School Leadership Limited, Comcare, Department of Education, Employment and Workplace Relations, Fair Work Commission, Office of the Fair Work Building Industry Inspectorate (Fair Work Building and Construction), Office of the Fair Work Ombudsman, Safe Work Australia, Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority)
Families, Housing, Community Services and Indigenous Affairs Portfolio
Aboriginal Hostels Limited, Anindilyakwa Land Council, Australian Institute of Family Studies, Central Land Council, Department of Families, Housing, Community Services and Indigenous Affairs, DisabilityCare Australia (National Disability Insurance Scheme Launch Transition Agency), Indigenous Business Australia, Indigenous Land Corporation, Northern Land Council, Outback Stores Pty Ltd, Tiwi Land Council, Torres Strait Regional Authority, Workplace Gender Equality Agency, Wreck Bay Aboriginal Community Council
Finance and Deregulation Portfolio
Australian Electoral Commission, Commonwealth Superannuation Corporation, 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 Commission on Safety and Quality in Health Care, Australian Institute of Health and Welfare, Australian National Preventative Health Agency, 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, Independent Hospital Pricing Authority, National Blood Authority, National Health Funding Body, National Health and Medical Research Council, National Health Performance Authority, Private Health Insurance Administration Council, Private Health Insurance Ombudsman, Professional Services Review

Table 21: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Human Services Portfolio Department of Human Services
Immigration and Citizenship Portfolio Department of Immigration and Citizenship, Migration Review Tribunal and Refugee Review Tribunal
Industry, Innovation, Climate Change, Science, Research and Tertiary Education Portfolio Australian Institute of Aboriginal and Torres Strait Islander Studies, Australian Institute of Marine Science, Australian Nuclear Science and Technology Organisation, Australian Research Council, Australian Skills Quality Authority (National Vocational Education and Training Regulator), Clean Energy Regulator, Climate Change Authority, Commonwealth Scientific and Industrial Research Organisation, Department of Industry, Innovation, Climate Change, Science Research and Tertiary Education, IIF Investments Pty Limited, IP Australia, Low Carbon Australia Limited, Tertiary Education Quality and Standards Agency
Infrastructure and Transport Portfolio Australian Maritime Safety Authority, Australian Transport Safety Bureau, Civil Aviation Safety Authority, Department of Infrastructure and Transport, National Transport Commission
Prime Minister and Cabinet Portfolio Australian National Audit Office, Australian Public Service Commission, Department of the Prime Minister and Cabinet, National Australia Day Council Limited, National Mental Health Commission, Office of the Commonwealth Ombudsman, Office of the Inspector-General of Intelligence and Security, Office of National Assessments, Office of the Official Secretary to the Governor-General
Regional Australia, Local Government, Arts and Sport Portfolio Australia Business Arts Foundation Ltd, Australia Council, Australian Film, Television and Radio School, Australian National Maritime Museum, Australian Sports Anti-Doping Authority, Australian Sports Commission, Australian Sports Foundation Limited, Bundanon Trust, Department of Regional Australia, Local Government, Arts and Sport, National Archives of Australia, National Capital Authority, National Film and Sound Archive, National Gallery of Australia, National Library of Australia, National Museum of Australia, National Portrait Gallery of Australia, Old Parliament House, Screen Australia

Table 21: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Resources, Energy and Tourism Portfolio
Australian Renewable Energy Agency, Department of Resources, Energy and Tourism, Geoscience Australia, National Offshore Petroleum Safety and Environmental Management 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
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, Clean Energy Finance Corporation, 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, Parliamentary Budget Office
Public financial corporations
Education, Employment and Workplace Relations Portfolio
Coal Mining Industry (Long Service Leave Funding) Corporation
Finance and Deregulation Portfolio
Medibank Private Ltd
Foreign Affairs and Trade Portfolio
Export Finance and Insurance Corporation
Treasury Portfolio
Australian Reinsurance Pool Corporation, Reserve Bank of Australia

Table 21: Entities within the sectoral classifications (continued)

Public non-financial corporations
Attorney General's Portfolio Australian Government Solicitor
Broadband, Communications and the Digital Economy Portfolio Australian Postal Corporation, NBN Co Ltd
Families, Housing, Community Services and Indigenous Affairs Portfolio Voyages Indigenous Tourism Australia Pty 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, Moorebank Intermodal Company Ltd

Differences between ABS GFS and AAS framework (including 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 transactions or 'other economic flows' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2001*.[6]

Some of the major differences between AAS and the ABS GFS treatments of transactions are outlined in Table 22. Further information on the differences between

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).

the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

Table 22: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Acquisition of defence weapons platforms (DWP)	Treated as capital expenditure. DWP appear as a non-financial 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
Circulating coins — seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coins are treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Provisions for bad and doubtful debts	Reported in the balance sheet as an offset to assets. Under AASB 1049, it is included in the operating statement as other economic flows.	Creating provisions for bad and doubtful debts is not considered an economic event and therefore not considered to be an expense or reflected in the balance sheet.	AAS
Advances to the International Development Association, and Asian Development Fund	Recorded at fair value in the balance sheet.	Recorded at nominal value in balance sheet.	ABS GFS
Concessional loans	Discounts concessional loans by a market rate of a similar instrument.	Does not discount concessional loans as no secondary market is considered to exist.	AAS
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
Provision for restoration, decommission-ing and make-good	Included in the Fiscal Balance capital adjustment.	Excluded from the calculation of net lending capital adjustment.	AAS
Renewable Energy Certificates (RECs) and Australian Carbon Credit Units (ACCUs)	The issuance and registration of such certificates are considered to be an administrative function and does not result in the recognition of an asset or liability and therefore no tax revenue or expense is recognised.	The issuance and registration of such certificates are considered to be government financial transactions resulting in the recognition of assets, liabilities, tax revenue and expenses.	AAS

Table 22: Major differences between AAS and ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Carbon pricing mechanism	The interpretation of the AAS framework indicates that the transactions are recognised in the financial statements where they are expected to result in a receipt or payment of cash by the government at the amount of the expected cash settlement. The issuance and surrender of free carbon units and ACCUs used in the settlement of emissions liabilities do not qualify for recognition by the government as assets, liabilities, revenues or expenses.	Transactions are recognised at the expected market value at the time of the transaction. In the fixed price period from 1 July 2012 to 30 June 2014, the price of carbon units that the government will pay under the buy-back arrangements and sell to liable emitters to settle their obligations is set by the government at the prevailing fixed price and is regarded as the market value.	ABS GFS
Dividends paid by public corporations	Treated as an equity distribution. Equity distributions are treated as a distribution of profits, as opposed to an expense.	Dividends are treated as an expense.	ABS GFS
Commercial tax effect accounting assets and liabilities	Corporations in the PNFC and PFC sectors record tax expenses on a commercial basis.	Deferred tax assets and liabilities are reversed so that corporations record tax expenses on a consistent basis to the Australian Taxation Office.	ABS GFS
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.	ABS GFS

Attachment B

AUSTRALIAN LOAN COUNCIL ALLOCATION

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

- the estimated non-financial public sector ABS 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.

As set out in Table 23, the Commonwealth's 2012-13 LCA final budget outcome is a $25.4 billion deficit. This compares with the Australian Government's 2012-13 LCA Budget estimate of a $13.6 billion deficit.

A tolerance limit of 2 per cent of non-financial public sector receipts applies between the LCA Budget estimate and the outcome. Tolerance limits recognise that LCAs are nominated at an early stage of the Budget process and may change as a result of policy and parameter changes. The Australian Government's 2012-13 LCA final budget outcome exceeds the 2 per cent tolerance limit. This primarily reflects weaker than expected cash receipts.

Table 23: Australian Government Loan Council Allocation

		2012-13 Budget Estimate $m	2012-13 Outcome $m
	GGS cash surplus(-)/deficit(+)	-4,971	15,838
	PNFC sector cash surplus(-)/deficit(+)	5,137	3,294
	NFPS cash surplus(-)/deficit(+)(a)	394	19,132
plus	Acquisitions under finance leases and similar arrangements	412	1,388
equals	ABS GFS cash surplus(-)/deficit(+)	805	20,521
minus	Net cash flows from investments in financial assets for policy purposes(b)	-13,281	-4,802
plus	Memorandum items(c)	-440	70
	Loan Council Allocation	**13,646**	**25,393**

(a) May not directly equate to the sum of the GGS and the PNFC sector 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 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 surplus/deficit. However, the cash flow from investments in financial assets for policy purposes has implications for a government's call on financial markets.

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