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 (PNFC) sector 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 a single set of 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 financial statements for MYEFO have been prepared on a basis consistent with the 2012-13 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 the Australian Accounting Standards Board standard 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	
		2012-13	2013-14	2014-15	2015-16
	Note	$m	$m	$m	$m
Revenue					
Taxation revenue	3	352,092	382,023	400,753	424,408
Sales of goods and services	4	8,594	8,791	8,629	9,006
Interest income	5	4,465	4,628	4,608	4,864
Dividend income	5	2,479	1,950	2,108	2,244
Other	6	6,109	5,769	5,773	5,916
Total revenue		**373,739**	**403,161**	**421,871**	**446,438**
Expenses					
Gross operating expenses					
Wages and salaries(a)	7	19,205	19,127	19,356	20,179
Superannuation	7	6,175	4,063	4,124	4,177
Depreciation and amortisation	8	6,190	6,345	6,423	6,500
Supply of goods and services	9	72,068	74,050	77,838	83,205
Other operating expenses(a)	7	5,028	5,233	5,399	5,598
Total gross operating expenses		*108,666*	*108,818*	*113,140*	*119,659*
Superannuation interest expense	7	6,913	8,295	8,587	8,908
Interest expenses	10	12,878	12,822	12,452	12,105
Current transfers					
Current grants	11	108,597	120,105	128,144	134,121
Subsidy expenses		13,316	15,222	15,333	16,154
Personal benefits	12	116,176	122,123	127,826	136,628
Total current transfers		*238,089*	*257,450*	*271,302*	*286,903*
Capital transfers	11				
Mutually agreed write-downs		2,266	2,407	2,589	2,766
Other capital grants		6,237	8,062	5,634	5,469
Total capital transfers		*8,503*	*10,469*	*8,223*	*8,235*
Total expenses		**375,049**	**397,854**	**413,704**	**435,811**
Net operating balance		**-1,310**	**5,307**	**8,167**	**10,627**
Other economic flows					
Gain/loss on equity and on sale of assets(b)		7,577	3,674	3,783	5,393
Net write-downs of assets (including bad and doubtful debts)		-6,658	-6,113	-6,389	-6,929
Assets recognised for the first time		531	555	579	604
Actuarial revaluations		1,061	0	0	0
Net foreign exchange gains		-17	11	67	58
Market valuation of debt		2,729	3,156	2,653	2,167
Other economic revaluations(c)		77	409	296	355
Total other economic flows		**5,300**	**1,692**	**990**	**1,648**
Comprehensive result - Total change in net worth	13	**3,990**	**6,999**	**9,157**	**12,275**

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

		Estimates		Projections	
		2012-13	2013-14	2014-15	2015-16
	Note	$m	$m	$m	$m
Net operating balance		**-1,310**	**5,307**	**8,167**	**10,627**
Net acquisition of non-financial assets					
Purchases of non-financial assets		8,258	7,159	7,264	9,402
less Sales of non-financial assets		4,872	459	244	1,588
less Depreciation		6,190	6,345	6,423	6,500
plus Change in inventories		377	302	268	351
plus Other movements in non-financial assets		-90	374	380	-800
Total net acquisition of non-financial assets		**-2,517**	**1,032**	**1,244**	**865**
Fiscal balance (Net lending/borrowing)(d)		**1,207**	**4,275**	**6,923**	**9,762**

(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	
		2012-13	2013-14	2014-15	2015-16
	Note	$m	$m	$m	$m
Assets					
Financial assets					
Cash and deposits	20(a)	2,638	2,880	2,857	2,940
Advances paid	14	35,622	40,840	45,612	50,423
Investments, loans and placements	15	112,135	112,178	111,633	110,850
Other receivables	14	40,910	43,273	46,484	47,859
Equity investments					
Investments in other public sector entities		24,773	30,997	37,925	43,077
Equity accounted investments		313	313	314	315
Investments - shares		29,347	33,316	36,271	39,336
Total financial assets		*245,738*	*263,796*	*281,094*	*294,799*
Non-financial assets	16				
Land		8,596	8,533	8,562	8,555
Buildings		24,115	24,169	24,049	24,669
Plant, equipment and infrastructure		53,480	53,767	54,197	56,051
Inventories		7,357	7,283	7,157	7,056
Intangibles		5,689	5,652	5,675	5,675
Investment properties		181	181	181	181
Biological assets		37	37	37	37
Heritage and cultural assets		10,447	10,459	10,471	10,483
Assets held for sale		90	90	90	90
Other non-financial assets		2,624	3,038	3,466	2,753
Total non-financial assets		*112,616*	*113,208*	*113,884*	*115,549*
Total assets		**358,354**	**377,004**	**394,979**	**410,349**
Liabilities					
Interest bearing liabilities					
Deposits held		192	192	192	192
Government securities		281,195	287,561	291,576	289,306
Loans	17	11,780	11,248	11,257	11,080
Other borrowing		1,208	1,543	1,427	1,377
Total interest bearing liabilities		*294,375*	*300,544*	*304,452*	*301,955*
Provisions and payables					
Superannuation liability	18	142,723	147,978	153,330	158,752
Other employee liabilities	18	14,773	15,141	15,412	15,415
Suppliers payable	19	4,807	4,892	4,940	4,966
Personal benefits provisions and payable	19	14,587	14,785	15,292	15,894
Subsidies provisions and payable	19	3,363	3,569	3,662	3,329
Grants provisions and payable	19	14,699	13,786	11,648	11,372
Other provisions and payables	19	14,332	14,616	15,391	15,540
Total provisions and payables		*209,284*	*214,767*	*219,676*	*225,268*
Total liabilities		**503,659**	**515,311**	**524,128**	**527,223**
Net worth(a)		**-145,305**	**-138,306**	**-129,149**	**-116,875**
Net financial worth(b)		*-257,921*	*-251,515*	*-243,034*	*-232,424*
Net financial liabilities(c)		*282,694*	*282,511*	*280,958*	*275,501*
Net debt(d)		*143,980*	*144,646*	*144,350*	*137,742*

(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	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Cash receipts from operating activities				
Taxes received	339,209	371,393	389,236	411,538
Receipts from sales of goods and services	8,818	8,758	8,503	8,854
Interest receipts	4,390	4,486	4,414	4,756
Dividends and income tax equivalents	3,268	2,004	2,164	2,288
Other receipts	6,484	5,495	5,481	5,601
Total operating receipts	**362,170**	**392,136**	**409,798**	**433,037**
Cash payments for operating activities				
Payments for employees	-25,946	-26,094	-26,533	-27,798
Payments for goods and services	-72,350	-74,289	-78,064	-83,506
Grants and subsidies paid	-125,799	-141,846	-148,092	-151,232
Interest paid	-11,537	-11,133	-11,104	-12,528
Personal benefit payments	-114,755	-121,940	-127,320	-136,095
Other payments	-4,733	-4,946	-5,138	-5,426
Total operating payments	**-355,119**	**-380,249**	**-396,251**	**-416,585**
Net cash flows from operating activities	**7,051**	**11,887**	**13,547**	**16,452**
Cash flows from investments in non-financial assets				
Sales of non-financial assets	4,872	459	244	1,588
Purchases of non-financial assets	-7,721	-7,041	-7,638	-8,609
Net cash flows from investments in non-financial assets	**-2,850**	**-6,582**	**-7,393**	**-7,022**
Net cash flows from investments in financial assets for policy purposes	**-11,121**	**-12,732**	**-11,608**	**-10,082**
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	-6,000	-596	-415	-77
Net cash flows from investments in financial assets for liquidity purposes	**-6,000**	**-596**	**-415**	**-77**
Cash receipts from financing activities				
Borrowing	14,645	10,406	8,031	2,897
Other financing	0	0	1	0
Total cash receipts from financing activities	**14,645**	**10,406**	**8,033**	**2,897**
Cash payments for financing activities				
Other financing	-1,610	-2,142	-2,186	-2,084
Total cash payments for financing activities	**-1,610**	**-2,142**	**-2,186**	**-2,084**
Net cash flows from financing activities	**13,035**	**8,264**	**5,846**	**812**
Net increase/(decrease) in cash held	**115**	**241**	**-23**	**83**

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

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Net cash flows from operating activities and investments in non-financial assets (surplus(+)/deficit(-))	**4,201**	**5,305**	**6,154**	**9,430**
Finance leases and similar arrangements(b)	-406	-470	-1	-1
GFS cash surplus(+)/deficit(-)	**3,796**	**4,835**	**6,153**	**9,429**
less Net Future Fund earnings	2,718	2,670	2,828	3,021
Equals underlying cash balance(c)	**1,077**	**2,165**	**3,325**	**6,408**
plus Net cash flows from investments in financial assets for policy purposes	-11,121	-12,732	-11,608	-10,082
plus Net Future Fund earnings	2,718	2,670	2,828	3,021
Equals headline cash balance	**-7,325**	**-7,896**	**-5,455**	**-654**

(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 2012-13 $m
Revenue	
Current grants and subsidies	20
Sales of goods and services	7,885
Interest income	101
Total revenue	**8,006**
Expenses	
Gross operating expenses	
Wages and salaries(a)	3,038
Superannuation	281
Depreciation and amortisation	744
Supply of goods and services	4,070
Other operating expenses(a)	430
Total gross operating expenses	*8,563*
Interest expenses	136
Other property expenses	245
Current transfers	
Tax expenses	134
Total current transfers	*134*
Total expenses	**9,078**
Net operating balance	**-1,072**
Other economic flows	**-296**
Comprehensive result - Total change in net worth excluding contribution from owners	**-1,368**
Net acquisition of non-financial assets	
Purchases of non-financial assets	3,990
less Sales of non-financial assets	14
less Depreciation	744
plus Change in inventories	-17
plus Other movements in non-financial assets	872
Total net acquisition of non-financial assets	**4,087**
Fiscal balance (Net lending/borrowing)(b)	**-5,159**

(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
	2012-13
	$m
Assets	
Financial assets	
Cash and deposits	2,411
Investments, loans and placements	163
Other receivables	1,234
Equity investments	329
Total financial assets	*4,137*
Non-financial assets	
Land and fixed assets	12,309
Other non-financial assets(a)	2,036
Total non-financial assets	*14,345*
Total assets	**18,482**
Liabilities	
Interest bearing liabilities	
Borrowing	2,997
Total interest bearing liabilities	*2,997*
Provisions and payables	
Other employee liabilities	1,506
Other provisions and payables(a)	2,397
Total provisions and payables	*3,903*
Total liabilities	**6,899**
Shares and other contributed capital	**11,583**
Net worth(b)	**11,583**
Net financial worth(c)	*-2,762*
Net debt(d)	*423*

(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 interest bearing liabilities (deposits held, advances received and borrowing), minus the sum of cash and deposits and investments, loans and placements.

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

	Estimates
	2012-13
	$m
Cash receipts from operating activities	
Receipts from sales of goods and services	9,035
GST input credit receipts	86
Other receipts	126
Total operating receipts	**9,246**
Cash payments for operating activities	
Payments to employees	-3,635
Payment for goods and services	-4,836
Interest paid	-65
GST payments to taxation authority	-511
Other payments	-136
Total operating payments	**-9,182**
Net cash flows from operating activities	**64**
Cash flows from investments in non-financial assets	
Sales of non-financial assets	14
Purchases of non-financial assets	-4,863
Net cash flows from investments in non-financial assets	**-4,849**
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	63
Net cash flows from investments in financial assets for liquidity purposes	**63**
Net cash flows from financing activities	
Borrowing (net)	583
Other financing (net)	4,884
Distribution paid (net)	-227
Net cash flows from financing activities	**5,240**
Net increase/(decrease) in cash held	**518**
Cash at the beginning of the year	**1,832**
Cash at the end of the year	**2,351**
Net cash from operating activities and investments in non-financial assets	**-4,785**
Distributions paid	-227
Equals surplus(+)/deficit(-)	**-5,012**
Finance leases and similar arrangements(b)	-6
GFS cash surplus(+)/deficit(-)	**-5,018**

(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
	2012-13
	$m
Revenue	
Taxation revenue	351,958
Sales of goods and services	15,386
Interest income	4,537
Dividend income	2,235
Other	6,109
Total revenue	**380,225**
Expenses	
Gross operating expenses	
Wages and salaries(a)	22,243
Superannuation	6,456
Depreciation and amortisation	6,933
Supply of goods and services	75,045
Other operating expenses(a)	5,458
Total gross operating expenses	*116,136*
Superannuation interest expense	6,913
Interest expenses	12,986
Current transfers	
Current grants	108,597
Subsidy expenses	13,296
Personal benefits	116,176
Total current transfers	*238,069*
Capital transfers	8,503
Total expenses	**382,607**
Net operating balance	**-2,382**
Other economic flows	**6,360**
Comprehensive result - Total change in net worth	**3,979**
Net acquisition of non-financial assets	
Purchases of non-financial assets	12,248
less Sales of non-financial assets	4,886
less Depreciation	6,933
plus Change in inventories	360
plus Other movements in non-financial assets	782
Total net acquisition of non-financial assets	**1,571**
Fiscal balance (net lending/borrowing)(b)	**-3,953**

(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
	2012-13
	$m
Assets	
Financial assets	
Cash and deposits	5,049
Advances paid	35,622
Investments, loans and placements	112,006
Other receivables	41,966
Equity investments	40,994
Total financial assets	*235,637*
Non-financial assets	
Land and fixed assets	116,305
Other non-financial assets	10,656
Total non-financial assets	*126,961*
Total assets	**362,598**
Liabilities	
Interest bearing liabilities	
Deposits held	192
Government securities	281,195
Loans	11,489
Other borrowing	4,204
Total interest bearing liabilities	*297,080*
Provisions and payables	
Superannuation liability	142,723
Other employee liabilities	16,279
Other provisions and payables	54,007
Total provisions and payables	*213,009*
Total liabilities	**510,089**
Shares and other contributed capital	**11,583**
Net worth(a)	**-147,490**
Net financial worth(b)	*-274,451*
Net debt(c)	*144,403*

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

	Estimates
	2012-13
	$m
Cash receipts from operating activities	
Taxes received	339,074
Receipts from sales of goods and services	15,823
Interest receipts	4,464
Dividends and income tax equivalents	3,064
Other receipts	6,485
Total operating receipts	**368,909**
Cash payments for operating activities	
Payments to employees	-29,581
Payments for goods and services	-75,581
Grants and subsidies paid	-125,799
Interest paid	-11,573
Personal benefit payments	-114,755
Other payments	-4,733
Total operating payments	**-362,022**
Net cash flows from operating activities	**6,887**
Cash flows from investments in non-financial assets	
Sales of non-financial assets	4,886
Purchases of non-financial assets	-12,584
Net cash flows from investments in non-financial assets	**-7,698**
Net cash flows from investments in financial assets for policy purposes	**-6,237**
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-5,937
Net cash flows from investments in financial assets for liquidity purposes	**-5,937**
Net cash flows from financing activities	
Borrowing (net)	15,228
Other financing (net)	-1,610
Net cash flows from financing activities	**13,618**
Net increase/(decrease) in cash held	**633**
Cash at the beginning of the year	**4,356**
Cash at the end of the year	**4,989**
Net cash from operating activities and investments in non-financial assets	**-811**
Distributions paid	0
Equals surplus(+)/deficit(-)	**-811**
Finance leases and similar arrangements(b)	-412
GFS cash surplus(+)/deficit(-)	**-1,223**

(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* (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 key differences between the two frameworks. Detailed accounting policies, as required by AAS, are disclosed in the annual consolidated financial statements.

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

Explanations of variations in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth since the 2012-13 Budget are disclosed in Part 3.

Updates to fiscal risks and contingent liabilities since the 2012-13 Budget are disclosed in Appendix C.

Comprehensive guidance has not been issued under either the AAS or ABS GFS frameworks for the measurement of accrual revenue and expenses under the carbon price. Current estimates measure revenue and expenses at the expected market price for carbon in the year that emissions occur. The Department of Finance and Deregulation and the Department of the Treasury will continue to review this treatment in consultation with the ABS and the Australian National Audit Office (ANAO).

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 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 AAS treatment for circulating coins (seigniorage). 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 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 budget 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 which 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.

Departures from AAS (including AASB 1049)

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

AASB 1049 requires the disclosure of the operating result and its derivation on the face of the operating statement. 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 total assets attributed to functions. In accordance with ABS GFS, disaggregated information for expenses is disclosed in Attachment C of Part 3.

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. Reconciliation notes have not been included as they would effectively create two measures of the same aggregate.

AASB 1049 requires major variances between original budget estimates and outcomes to be explained in the financial statements. Explanations of variances for the 2012-13 year from the 2012-13 Budget are disclosed in Part 3. All policy decisions taken between the 2012-13 Budget and the 2012-13 MYEFO are disclosed in Appendix A.

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

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

Departures from ABS GFS

AASB 1049 defines net worth for the PNFC 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 sector). 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 and NFPS financial statements.

Departures from AAS (including AASB 1049)

The financial statements for the PNFC 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 PNFC sector 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

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Income taxation				
Individuals' and other withholding taxes				
Gross income tax withholding	152,590	165,250	176,240	187,140
Gross other individuals	37,840	40,080	43,930	47,860
less Refunds	26,500	26,700	28,800	30,700
Total individuals' and other withholding taxation	163,930	178,630	191,370	204,300
Fringe benefits tax	4,040	4,530	5,010	5,220
Company tax	72,982	80,459	80,320	83,426
Superannuation funds	8,250	9,290	11,310	13,310
Resource rent taxes(a)	5,580	6,560	5,650	6,660
Total income taxation revenue	**254,782**	**279,469**	**293,660**	**312,916**
Indirect taxation				
Sales taxes				
Goods and services tax	50,790	53,730	56,590	59,430
Wine equalisation tax	720	730	770	820
Luxury car tax	450	460	480	520
Total sales taxes	51,960	54,920	57,840	60,770
Excise duty				
Petrol	6,000	5,840	5,870	5,970
Diesel	8,700	9,120	9,330	9,530
Beer	2,070	2,140	2,270	2,400
Tobacco	5,200	4,710	4,770	4,890
Other excisable products	4,520	4,640	5,020	5,260
Of which: Other excisable beverages(b)	930	990	1,000	1,060
Total excise duty revenue	26,490	26,450	27,260	28,050
Customs duty				
Textiles, clothing and footwear	700	720	580	620
Passenger motor vehicles	920	960	1,010	1,070
Excise-like goods	4,850	5,850	5,970	6,180
Other imports	1,540	1,680	1,780	1,910
less Refunds and drawbacks	180	180	180	180
Total customs duty revenue	7,830	9,030	9,160	9,600
Carbon pricing mechanism(c)	7,690	8,685	9,275	9,400
Other indirect taxation				
Agricultural levies	440	436	443	449
Other taxes	2,900	3,033	3,114	3,223
Total other indirect taxation revenue	3,339	3,470	3,558	3,672
Mirror taxes	487	516	546	581
less Transfers to States in relation to mirror tax revenue	487	516	546	581
Mirror tax revenue	0	0	0	0
Total indirect taxation revenue	**97,309**	**102,555**	**107,093**	**111,492**
Total taxation revenue	**352,092**	**382,023**	**400,753**	**424,408**
Memorandum:				
Capital gains tax	*8,400*	*11,000*	*13,800*	*16,100*
Medicare levy revenue	*9,700*	*10,390*	*11,010*	*11,580*

(a) Resource rent taxes include PRRT and gross revenue from the MRRT. Net revenue from the MRRT is expected to be $2.0 billion in 2012-13, $2.4 billion in 2013-14, $2.1 billion in 2014-15 and $2.6 billion in 2015-16, which represent the net impact on revenue across several different heads of revenue. These include the offsetting reductions in company tax (through deductibility) and interactions with other taxes.

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

(c) Tax revenue includes carbon accrual revenue measured at market price, with details of the accounting treatment of carbon revenue set out in Note 1 to the General Government Sector Financial Statements.

Note 3(a): Taxation revenue by source

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Taxes on income, profits and capital gains				
Income and capital gains levied on individuals	168,000	183,370	196,830	210,080
Income and capital gains levied on enterprises	86,782	96,099	96,830	102,836
Total taxes on income, profits and capital gains	**254,782**	**279,469**	**293,660**	**312,916**
Taxes on employers' payroll and labour force	485	540	561	581
Taxes on the provision of goods and services				
Sales/goods and services tax	51,960	54,920	57,840	60,770
Excises and levies	26,930	26,886	27,703	28,499
Taxes on international trade	7,830	9,030	9,160	9,600
Total taxes on the provision of goods and services	**86,720**	**90,836**	**94,703**	**98,869**
Other sale of goods and services	10,105	11,179	11,829	12,042
Total taxation revenue	**352,092**	**382,023**	**400,753**	**424,408**
Memorandum:				
Medicare levy revenue	*9,700*	*10,390*	*11,010*	*11,580*

Note 4: Sales of goods and services revenue

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Sales of goods	1,525	1,663	1,710	1,729
Rendering of services	3,927	3,796	3,483	3,469
Operating lease rental	45	45	45	44
Fees from regulatory services	3,096	3,286	3,391	3,763
Total sales of goods and services revenue	**8,594**	**8,791**	**8,629**	**9,006**

Note 5: Interest and dividend revenue

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Interest from other governments				
State and Territory debt	12	17	19	17
Housing agreements	160	155	150	144
Total interest from other governments	**173**	**173**	**168**	**162**
Interest from other sources				
Advances	43	47	51	57
Deposits	96	99	101	103
Bank deposits	206	197	198	205
Indexation of HELP receivable and other student loans	505	572	657	749
Other	3,441	3,541	3,433	3,588
Total interest from other sources	**4,292**	**4,456**	**4,440**	**4,702**
Total interest	**4,465**	**4,628**	**4,608**	**4,864**
Dividends				
Dividends from other public sector entities	1,008	432	449	465
Other dividends	1,472	1,518	1,659	1,779
Total dividends	**2,479**	**1,950**	**2,108**	**2,244**
Total interest and dividend revenue	**6,944**	**6,578**	**6,717**	**7,109**

Note 6: Other sources of non-taxation revenue

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Industry contributions	41	40	40	40
Royalties	1,799	1,696	1,667	1,673
Seigniorage	136	134	138	137
Other	4,133	3,898	3,929	4,066
Total other sources of non-taxation revenue	**6,109**	**5,769**	**5,773**	**5,916**

Note 7: Employee and superannuation expense

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Wages and salaries expenses	**19,205**	**19,127**	**19,356**	**20,179**
Other operating expenses				
Leave and other entitlements	2,246	2,285	2,311	2,343
Separations and redundancies	37	38	41	39
Workers compensation premiums and claims	814	803	855	912
Other	1,930	2,107	2,193	2,303
Total other operating expenses	**5,028**	**5,233**	**5,399**	**5,598**
Superannuation expenses				
Superannuation	6,175	4,063	4,124	4,177
Superannuation interest cost	6,913	8,295	8,587	8,908
Total superannuation expenses	**13,088**	**12,358**	**12,711**	**13,085**
Total employee and superannuation expense	**37,321**	**36,719**	**37,466**	**38,862**

Note 8: Depreciation and amortisation expense

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Depreciation				
Specialist military equipment	2,762	2,806	2,811	2,829
Buildings	1,273	1,333	1,388	1,433
Other infrastructure, plant and equipment	1,306	1,356	1,371	1,389
Heritage and cultural assets	39	39	39	39
Total depreciation	**5,380**	**5,534**	**5,609**	**5,690**
Total amortisation	**810**	**810**	**814**	**810**
Total depreciation and amortisation expense	**6,190**	**6,345**	**6,423**	**6,500**

Note 9: Supply of goods and services expense

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Supply of goods and services	22,998	22,617	22,709	22,895
Operating lease rental expenses	2,534	2,579	2,601	2,655
Personal benefits - indirect	39,591	41,769	45,112	49,691
Health care payments	5,446	5,522	5,639	5,792
Other	1,498	1,562	1,776	2,172
Total supply of goods and services	**72,068**	**74,050**	**77,838**	**83,205**

Note 10: Interest expense

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Interest on debt				
Government securities(a)	12,017	11,700	11,258	10,889
Loans	10	10	10	8
Other	52	29	27	26
Total interest on debt	**12,079**	**11,739**	**11,295**	**10,923**
Other financing costs	**799**	**1,083**	**1,157**	**1,182**
Total interest expense	**12,878**	**12,822**	**12,452**	**12,105**

(a) Public debt interest estimates are calculated using the contract interest rates incurred on existing Commonwealth Government Securities (CGS) when issued and technical assumptions, based on prevailing market interest rates across the yield curve, for yields on future CGS issuance.

Note 11: Current and capital grants expense

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Current grants expense				
State and Territory governments	83,922	88,881	93,483	99,445
Local governments	39	28	8	3
Private sector	2,060	2,511	2,966	2,887
Overseas	4,093	5,144	5,791	6,303
Non-profit organisations	1,789	1,849	1,871	2,090
Multi-jurisdictional sector	9,453	9,714	10,107	10,655
Other	7,242	11,978	13,917	12,737
Total current grants expense	**108,597**	**120,105**	**128,144**	**134,121**
Capital grants expense				
Mutually agreed write-downs	2,266	2,407	2,589	2,766
Other capital grants				
State and Territory governments	5,265	6,880	4,492	4,410
Local governments	429	449	342	349
Private sector	149	138	122	75
Multi-jurisdictional sector	95	98	102	108
Other	299	496	577	528
Total capital grants expense	**8,503**	**10,469**	**8,223**	**8,235**
Total grants expense	**117,100**	**130,574**	**136,367**	**142,356**

Note 12: Personal benefits expense

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Social welfare - assistance to the aged	37,366	39,713	42,399	45,514
Assistance to veterans and dependants	6,177	6,159	6,068	5,986
Assistance to people with disabilities	21,241	22,524	24,102	25,729
Assistance to families with children	31,573	32,231	33,016	33,867
Assistance to the unemployed	8,794	9,828	9,045	9,567
Student assistance	3,614	3,790	3,815	3,719
Other welfare programmes	1,342	1,439	1,423	1,448
Financial and fiscal affairs	353	350	363	377
Vocational and industry training	274	276	271	267
Other	5,444	5,814	7,323	10,154
Total personal benefits expense	**116,176**	**122,123**	**127,826**	**136,628**

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

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Opening net worth	**-247,208**	**-145,305**	**-138,306**	**-129,149**
Opening net worth adjustments(a)	97,912	0	0	0
Adjusted opening net worth	**-149,296**	**-145,305**	**-138,306**	**-129,149**
Net operating balance	**-1,310**	**5,307**	**8,167**	**10,627**
Other economic flows – Included in operating result				
Foreign exchange gains	1	11	67	58
Gains from sale of assets	4,762	282	149	1,492
Other gains	7,711	7,057	6,929	6,719
Net write-down and impairment of assets and fair value losses	-6,658	-6,113	-6,389	-6,929
Foreign exchange losses	-17	0	0	0
Losses from sale of assets	8	14	5	5
Total other economic flows	**5,806**	**1,251**	**762**	**1,344**
Operating result(b)	**4,496**	**6,558**	**8,929**	**11,971**
Other economic flows – other movements in equity(c)	-506	441	228	303
Comprehensive result	**3,990**	**6,999**	**9,157**	**12,275**

(a) Reflects a decrease in the superannuation liability mainly due to a difference in the estimated and actual discount rate. Refer to 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	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Advances paid				
Loans to State and Territory governments	2,948	2,917	2,835	2,724
Higher Education Loan Program	22,301	25,734	29,498	33,440
Student Financial Supplement Scheme	595	530	461	389
Other	9,803	11,685	12,843	13,896
less Provision for doubtful debts	26	26	26	26
Total advances paid	**35,622**	**40,840**	**45,612**	**50,423**
Other receivables				
Goods and services receivable	1,020	988	978	976
Recoveries of benefit payments	3,059	3,042	3,076	3,162
Taxes receivable	22,752	25,628	28,360	29,091
Other	17,469	17,109	17,671	18,338
less Provision for doubtful debts	3,389	3,495	3,602	3,708
Total other receivables	**40,910**	**43,273**	**46,484**	**47,859**

Note 15: Investments, loans and placements

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Investments - deposits	33,599	32,325	28,327	24,088
IMF quota	9,569	9,569	9,655	9,742
Other	68,967	70,284	73,650	77,020
Total investments, loans and placements	**112,135**	**112,178**	**111,633**	**110,850**

Note 16: Total non-financial assets

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Land and buildings				
Land	8,596	8,533	8,562	8,555
Buildings	24,115	24,169	24,049	24,669
Total land and buildings	**32,712**	**32,702**	**32,611**	**33,224**
Plant, equipment and infrastructure				
Specialist military equipment	40,240	40,230	40,961	43,241
Other	13,240	13,538	13,236	12,810
Total plant, equipment and infrastructure	**53,480**	**53,767**	**54,197**	**56,051**
Inventories				
Inventories held for sale	1,129	1,107	1,050	1,048
Inventories not held for sale	6,229	6,176	6,108	6,008
Total inventories	**7,357**	**7,283**	**7,157**	**7,056**
Intangibles				
Computer software	3,466	3,325	3,138	2,891
Other	2,223	2,328	2,537	2,784
Total intangibles	**5,689**	**5,652**	**5,675**	**5,675**
Total investment properties	**181**	**181**	**181**	**181**
Total biological assets	**37**	**37**	**37**	**37**
Total heritage and cultural assets	**10,447**	**10,459**	**10,471**	**10,483**
Total assets held for sale	**90**	**90**	**90**	**90**
Other non-financial assets				
Prepayments	2,484	2,524	2,573	2,660
Other	140	514	893	93
Total other non-financial assets	**2,624**	**3,038**	**3,466**	**2,753**
Total non-financial assets	**112,616**	**113,208**	**113,884**	**115,549**

Note 17: Loans

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Promissory notes	6,512	6,052	6,076	6,048
Special drawing rights	4,468	4,468	4,509	4,549
Other	800	728	672	483
Total loans	**11,780**	**11,248**	**11,257**	**11,080**

Note 18: Employee and superannuation liabilities

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Total superannuation liability(a)	**142,723**	**147,978**	**153,330**	**158,752**
Other employee liabilities				
Leave and other entitlements	7,389	7,514	7,661	7,805
Accrued salaries and wages	624	644	668	515
Workers compensation claims	2,636	2,730	2,820	2,829
Separations and redundancies	90	90	89	89
Other	4,033	4,163	4,173	4,177
Total other employee liabilities	**14,773**	**15,141**	**15,412**	**15,415**
Total employee and superannuation liabilities	**157,495**	**163,119**	**168,743**	**174,167**

(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 19: Provisions and payables

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Suppliers payable				
Trade creditors	4,390	4,477	4,522	4,550
Operating lease rental payable	203	203	205	204
Other creditors	213	211	213	212
Total suppliers payable	**4,807**	**4,892**	**4,940**	**4,966**
Total personal benefits provisions and payable	**14,587**	**14,785**	**15,292**	**15,894**
Total subsidies provisions and payable	**3,363**	**3,569**	**3,662**	**3,329**
Grants provisions and payable				
State and Territory governments	164	160	160	160
Non-profit organisations	243	243	243	243
Private sector	500	497	490	489
Overseas	1,502	2,123	1,842	1,399
Local governments	7	7	7	7
Other	12,282	10,755	8,906	9,074
Total grants provisions and payable	**14,699**	**13,786**	**11,648**	**11,372**
Other provisions and payables				
Provisions for tax refunds	3,385	3,446	3,445	3,445
Other	10,947	11,169	11,946	12,095
Total other provisions and payables	**14,332**	**14,616**	**15,391**	**15,540**

Note 20: Reconciliation of cash

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Net operating balance (revenues less expenses)	**-1,310**	**5,307**	**8,167**	**10,627**
less **Revenues not providing cash**				
Other	764	940	1,096	1,260
Total revenues not providing cash	**764**	**940**	**1,096**	**1,260**
plus **Expenses not requiring cash**				
Increase/(decrease) in employee entitlements	6,582	5,693	5,731	5,573
Depreciation/amortisation expense	6,190	6,345	6,423	6,500
Mutually agreed write-downs	2,266	2,407	2,589	2,766
Other	1	179	761	792
Total expenses not requiring cash	**15,039**	**14,624**	**15,504**	**15,631**
plus **Cash provided / (used) by working capital items**				
Decrease/(increase) in inventories	-260	-181	-143	-221
Decrease/(increase) in receivables	-8,786	-7,825	-8,341	-6,775
Decrease/(increase) in other financial assets	893	1,901	1,426	1,369
Decrease/(increase) in other non-financial assets	46	14	8	-12
Increase/(decrease) in benefits, subsidies and grants payable	2,479	-340	-1,269	285
Increase/(decrease) in suppliers' liabilities	-63	136	54	-18
Increase/(decrease) in other provisions and payables	-221	-808	-762	-3,174
Net cash provided / (used) by working capital	**-5,914**	**-7,103**	**-9,028**	**-8,547**
equals (Net cash from/(to) operating activities)	7,051	11,887	13,547	16,452
plus (Net cash from/(to) investing activities)	-19,970	-19,910	-19,416	-17,181
Net cash from operating activities and investment	**-12,920**	**-8,023**	**-5,869**	**-729**
plus (Net cash from/(to) financing activities)	13,035	8,264	5,846	812
equals Net increase/(decrease) in cash held	**115**	**241**	**-23**	**83**
Cash at the beginning of the year	**2,523**	**2,638**	**2,880**	**2,857**
Net increase/(decrease) in cash	115	241	-23	83
Cash at the end of the year	**2,638**	**2,880**	**2,857**	**2,940**

Note 20(a): Consolidated Revenue Fund

	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16
	$m	$m	$m	$m
Total general government sector cash	2,638	2,880	2,857	2,940
less CAC Agency cash balances	1,968	2,075	2,183	2,298
plus Special public monies	318	318	318	318
Balance of Consolidated Revenue Fund at 30 June	**988**	**1,123**	**992**	**960**

The estimated and projected 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 2012-13* have been prepared on a basis consistent with the 2012-13 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 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 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 Australian Accounting Standards Board (AASB) released AASB 1049 for application from the 2008-09 financial year. AASB 1049 seeks to 'harmonise' ABS GFS and AAS.

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

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).

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

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 is 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, government securities, loans, and other borrowing) less the sum of selected financial assets[3] (cash and deposits, advances paid, and investments, loans and placements). This includes financial assets held by the Future Fund which are invested in these asset classes,

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.

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 is excluding the Future Fund's net earnings from the calculation of the underlying cash balance. This will better reflect the operations of the Future Fund and treat earnings and costs consistently in the calculation of the underlying cash balance. This will improve the underlying cash balance by $417 million in 2012-13 ($1,988 million over four years).

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

The Government announced a review of the budget treatment of the Future Fund in the 2012-13 Budget. As part of the review, the Department of Finance and Deregulation and the Department of the Treasury released a consultation paper and engaged with relevant stakeholders. Following this consultation, the Government has decided to exclude the Future Fund's net earnings from the calculation of the underlying cash balance. Until now gross earnings have been excluded. This is considered appropriate as the Fund's earnings are required to be reinvested to meet future superannuation payments, and the Future Fund is required to meet all of its operating costs from its earnings. This changed treatment creates symmetry between the treatment of Future Fund earnings and costs, as prior to this change the Future Fund costs and earnings were treated differently in the calculation of the underlying cash balance.

Since the establishment of the Future Fund in 2005-06, the underlying cash balance had 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 superannuation liabilities. From 2020, the Future Fund becomes available to meet the Government's superannuation liabilities. At this time, earnings will be available to meet the Government's recurrent superannuation spending, and both costs and earnings will be included in the underlying cash balance.

Expected net Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table B3 of this statement and related tables in Part 1 and 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 (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 B1. 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 B1: Institutional structure of the public sector

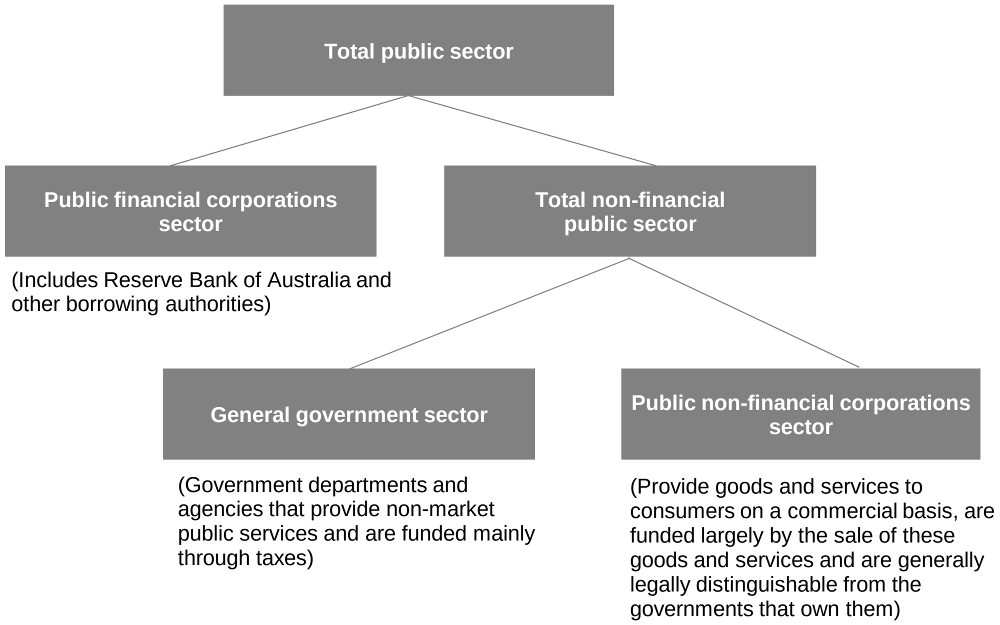

Table B10: Entities within the sectoral classifications

General government sector entities
Agriculture, Fisheries and Forestry Portfolio Australian Fisheries Management Authority, Australian Pesticides and Veterinary Medicines Authority, 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, 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 of Australia, Federal Court of Australia, Federal Magistrates Court of Australia, High Court of Australia, Insolvency and Trustee Service Australia, 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
Climate Change and Energy Efficiency Portfolio Clean Energy Regulator, Climate Change Authority, Department of Climate Change and Energy Efficiency, Low Carbon Australia Limited
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 B10: 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 Australia, Office of the Fair Work Building Industry Inspectorate, Office of 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, 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, 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 Preventive 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 B10: 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, Science, Research and Tertiary Education Portfolio Australian Institute of Aboriginal and Torres Strait Islander Studies, Australian Institute of Marine Science, Australian Learning and Teaching Council Limited, Australian Nuclear Science and Technology Organisation, Australian Research Council, Australian Skills Quality Authority (National Vocational Education and Training Regulator), Commonwealth Scientific and Industrial Research Organisation, Department of Industry, Innovation, Science, Research and Tertiary Education, IIF Investments Pty Limited, IP Australia, 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, Old Parliament House, Screen Australia

Table B10: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Resources, Energy and Tourism Portfolio Australian Renewable Energy Agency, Australian Solar Institute Limited, 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 the House of Representatives, Department of Parliamentary Services, 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 Australia Reinsurance Pool Corporation, Reserve Bank of Australia

Table B10: 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

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 and expenses and their presentation, measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, over-riding AASB 127 *Consolidated and Separate Financial Statements*. AASB 1049 also follows ABS GFS by requiring changes in net worth to be split into either transactions or 'other economic flows' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards 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 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 (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 the 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 coin is 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 is not considered an economic event and is 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, decommis-sioning and make-good	Included in the Fiscal Balance capital adjustment.	Excluded from the calculation of net lending capital adjustment.	AAS
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

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
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 the Loan Council arrangements, every year the Commonwealth and each State and Territory government nominate an annual Loan Council Allocation (LCA). A jurisdiction's LCA incorporates:

- the estimated non-financial public sector ABS GFS cash surplus/deficit (made up from the balance of the general government and public non-financial corporations sectors and total non-financial public sector acquisitions under financial 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 2012, the Australian Government nominated, and the Loan Council endorsed, a LCA deficit of $6,969 million. In the 2012-13 Budget, the Australian Government estimated a LCA deficit of $13,646 million.

As set out in Table B12, the Australian Government's revised estimate for the 2012-13 LCA is a $7,280 million deficit**.**

Table B12: Australian Government Loan Council Allocation

		2012-13 Budget estimate $m	MYEFO estimate $m
	GGS cash surplus(-)/deficit(+)	-4,971	-4,201
	PNFC sector cash surplus(-)/deficit(+)	5,137	5,012
	NFPS cash surplus(-)/deficit(+)(a)	394	811
plus	Acquisitions under finance leases and similar arrangements	412	412
equals	ABS GFS cash surplus(-)/deficit(+)	805	1,223
minus	Net cash flows from investments		
	in financial assets for policy purposes(b)	-13,281	-6,237
plus	Memorandum items(c)	-440	-180
	Loan Council Allocation	**13,646**	**7,280**

(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 Loan Council Allocation, 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.