PART 2: AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

Consistent with the *Charter of Budget Honesty Act 1998* (the Charter), the Government has produced a single set of financial statements 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). The financial statements comply with both Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS), with departures disclosed. These statements are:

- an operating statement, including other economic flows, which shows net operating balance and net lending/borrowing (fiscal balance);
- 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.

The financial statements for the *Final Budget Outcome 2013-14* have been prepared on a basis consistent with the 2014-15 Budget. This enables comparison of the 2013-14 revised estimates published at the 2014-15 Budget and the outcome.

The statements reflect the 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 Commonwealth, 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 Loan Council Allocation.

AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

Table 10: Australian Government general government sector operating statement

	Note	2013-14 Estimate at 2014-15 Budget $m	Month of June 2014(d) $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Revenue					
Taxation revenue	3	350,956	26,158	351,088	131
Sales of goods and services	4	8,853	469	8,573	-280
Interest income	5	3,445	476	3,341	-104
Dividend income	5	4,288	1,552	4,105	-183
Other	6	6,724	860	6,843	118
Total revenue		**374,267**	**29,515**	**373,950**	**-317**
Expenses					
Gross operating expenses					
Wages and salaries(a)	7	19,532	1,525	18,823	-709
Superannuation	7	6,235	1,355	6,372	138
Depreciation and amortisation	8	6,474	679	6,341	-134
Supply of goods and services	9	74,552	7,827	75,304	751
Other operating expenses(a)	7	6,039	1,023	6,023	-17
Total gross operating expenses		*112,833*	*12,409*	*112,862*	*29*
Superannuation interest expense	7	8,320	700	8,214	-106
Interest expenses	10	14,396	1,550	14,597	201
Current transfers					
Current grants	11	117,437	15,531	115,911	-1,526
Subsidy expenses		15,534	2,415	15,728	194
Personal benefits	12	124,944	10,016	125,174	230
Total current transfers		*257,915*	*27,961*	*256,813*	*-1,102*
Capital transfers	11				
Mutually agreed write-downs		3,094	-229	2,627	-467
Other capital grants		18,736	1,149	18,732	-4
Total capital transfers		*21,830*	*921*	*21,359*	*-471*
Total expenses		**415,294**	**43,541**	**413,845**	**-1,449**
Net operating balance		**-41,027**	**-14,026**	**-39,896**	**1,132**
Other economic flows - included in operating result					
Net write-downs of assets (including bad and doubtful debts)		-5,278	-2,091	-8,822	-3,545
Assets recognised for the first time		330	-178	310	-21
Liabilities recognised for the first time		0	0	0	0
Actuarial revaluations		0	0	0	0
Net foreign exchange gains		-447	-558	-402	45
Net swap interest received		-663	90	-330	332
Market valuation of debt		2,410	-2,281	-3,685	-6,096
Other gains/(losses)		9,302	-6,136	2,611	-6,690
Total other economic flows - included in operating result		**5,655**	**-11,155**	**-10,319**	**-15,974**
Operating result(b)		**-35,372**	**-25,181**	**-50,215**	**-14,843**
Non-owner movements in equity					
Revaluation of equity investments		7,185	9,204	8,111	926
Actuarial revaluations		-6,720	-5,191	-5,191	1,529
Other economic revaluations		704	9,170	9,739	9,035

Table 10: Australian Government general government sector operating statement (continued)

	2013-14 Estimate at 2014-15 Budget $m	Month of June 2014(d) $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Total other economic flows - included in equity	**1,168**	**13,182**	**12,659**	**11,490**
Comprehensive result - Total change in net worth	**-34,204**	**-11,999**	**-37,556**	**-3,352**
Net operating balance	**-41,027**	**-14,026**	**-39,896**	**1,132**
Net acquisition of non-financial assets				
Purchases of non-financial assets	10,240	1,783	9,613	-626
less Sales of non-financial assets	273	56	241	-32
less Depreciation	6,474	679	6,341	-134
plus Change in inventories	430	163	704	274
plus Other movements in non-financial assets	105	-36	115	9
Total net acquisition of non-financial assets	**4,027**	**1,177**	**3,850**	**-177**
Fiscal balance (Net lending/borrowing)(c)	**-45,055**	**-15,203**	**-43,746**	**1,309**

(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 11: Australian Government general government sector balance sheet

	Note	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Assets				
Financial assets				
Cash and deposits	19(a)	3,004	3,844	841
Advances paid	13	39,737	39,591	-146
Investments, loans and placements	14	117,371	117,507	136
Other receivables	13	46,051	45,249	-802
Equity investments				
Investments in other public sector entities		35,781	35,956	176
Equity accounted investments		300	324	23
Investments - shares		37,549	39,296	1,747
Total financial assets		*279,792*	*281,767*	*1,975*
Non-financial assets	15			
Land		8,929	9,331	403
Buildings		24,335	24,723	388
Plant, equipment and infrastructure		54,875	54,293	-581
Inventories		7,942	8,253	311
Intangibles		5,810	6,138	328
Investment property		196	183	-13
Biological assets		35	36	1
Heritage and cultural assets		10,573	10,825	252
Assets held for sale		136	95	-42
Other non-financial assets		397	409	12
Total non-financial assets		*113,228*	*114,286*	*1,058*
Total assets		**393,020**	**396,053**	**3,033**
Liabilities				
Interest bearing liabilities				
Deposits held		182	211	29
Government securities		346,648	351,285	4,637
Loans	16	9,608	10,237	629
Other borrowing		1,524	1,673	149
Total interest bearing liabilities		*357,963*	*363,406*	*5,443*
Provisions and payables				
Superannuation liability	17	157,067	221,746	64,679
Other employee liabilities	17	15,102	15,931	828
Suppliers payable	18	4,632	4,880	247
Personal benefits provisions and payables	18	12,384	13,137	753
Subsidies provisions and payables	18	4,242	4,517	275
Grants provisions and payables	18	14,170	14,201	31
Other provisions and payables	18	13,879	14,281	402
Total provisions and payables		*221,477*	*288,693*	*67,216*
Total liabilities		**579,439**	**652,099**	**72,659**
Net worth(a)		**-186,419**	**-256,045**	**-69,626**
Net financial worth(b)		*-299,647*	*-370,331*	*-70,684*
Net financial liabilities(c)		*335,428*	*406,287*	*70,860*
Net debt(d)		*197,851*	*202,463*	*4,612*

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

	2013-14 Estimate at 2014-15 Budget $m	Month of June 2014(d) $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Cash receipts from operating activities				
Taxes received	341,643	30,115	338,368	-3,275
Receipts from sales of goods and services	8,764	471	8,579	-185
Interest receipts	3,210	496	3,128	-81
Dividends and income tax equivalents	3,040	106	2,978	-62
Other receipts	6,376	680	6,811	436
Total operating receipts	**363,032**	**31,867**	**359,865**	**-3,167**
Cash payments for operating activities				
Payments for employees	-26,587	-1,736	-25,889	698
Payments for goods and services	-74,438	-8,278	-75,845	-1,407
Grants and subsidies paid	-152,953	-18,451	-148,990	3,963
Interest paid	-13,935	-2,408	-13,972	-37
Personal benefit payments	-126,398	-9,339	-126,367	31
Other payments	-6,056	-1,028	-5,769	286
Total operating payments	**-400,366**	**-41,241**	**-396,832**	**3,534**
Net cash flows from operating activities	**-37,334**	**-9,374**	**-36,968**	**367**
Cash flows from investments in non-financial assets				
Sales of non-financial assets	464	271	457	-7
Purchases of non-financial assets	-9,827	-1,549	-9,012	816
Net cash flows from investments in non-financial assets	**-9,363**	**-1,278**	**-8,554**	**809**
Net cash flows from investments in financial assets for policy purposes	**-6,575**	**24**	**-6,371**	**204**
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	-8,592	16,893	-7,718	874
Net cash flows from investments in financial assets for liquidity purposes	**-8,592**	**16,893**	**-7,718**	**874**
Cash receipts from financing activities				
Borrowing	64,689	-5,251	63,218	-1,471
Other financing	17	-34	8	-9
Total cash receipts from financing activities	**64,706**	**-5,285**	**63,226**	**-1,480**
Cash payments for financing activities				
Borrowing	0	0	0	0
Other financing	-1,914	54	-1,845	68
Total cash payments for financing activities	**-1,914**	**54**	**-1,845**	**68**
Net cash flows from financing activities	**62,792**	**-5,230**	**61,380**	**-1,412**
Net increase/(decrease) in cash held	**928**	**1,035**	**1,769**	**841**

Table 12: Australian Government general government sector cash flow statement (continued)[(a)]

	2013-14 Estimate at 2014-15 Budget $m	Month of June 2014(d) $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Net cash flows from operating activities and investments in non-financial assets (Surplus(+)/deficit(-))	**-46,698**	**-10,652**	**-45,522**	**1,176**
Finance leases and similar arrangements(b)	-469	-16	-586	-117
GFS cash surplus(+)/deficit(-)	**-47,166**	**-10,668**	**-46,108**	**1,058**
less Net Future Fund earnings	2,689	41	2,348	-341
Equals underlying cash balance(c)	**-49,855**	**-10,709**	**-48,456**	**1,399**
plus Net cash flows from investments in financial assets for policy purposes	-6,575	24	-6,371	204
plus Net Future Fund earnings	2,689	41	2,348	-341
Equals headline cash balance	**-53,741**	**-10,644**	**-52,479**	**1,262**

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

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Revenue			
Current grants and subsidies	34	56	21
Sales of goods and services	9,426	9,389	-37
Interest income	55	66	12
Other	5	26	20
Total revenue	**9,520**	**9,537**	**16**
Expenses			
Gross operating expenses			
Wages and salaries(a)	3,827	3,548	-279
Superannuation	472	474	1
Depreciation and amortisation	966	938	-28
Supply of goods and services	4,637	4,827	190
Other operating expenses(a)	432	689	257
Total gross operating expenses	*10,334*	*10,475*	*142*
Interest expenses	288	364	76
Other property expenses	215	222	7
Current transfers			
Tax expenses	147	66	-82
Total current transfers	*147*	*66*	*-82*
Total expenses	**10,984**	**11,127**	**143**
Net operating balance	**-1,464**	**-1,590**	**-126**
Other economic flows	**4**	**354**	**350**
Comprehensive result - Total change in net worth excluding contribution from owners	**-1,460**	**-1,236**	**224**
Net acquisition of non-financial assets			
Purchases of non-financial assets	2,892	4,726	1,834
less Sales of non-financial assets	185	197	13
less Depreciation	966	938	-28
plus Change in inventories	10	14	5
plus Other movements in non-financial assets	628	875	247
Total net acquisition of non-financial assets	**2,379**	**4,480**	**2,101**
Fiscal balance (Net lending/borrowing)(b)	**-3,843**	**-6,070**	**-2,227**

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

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Assets			
Financial assets			
Cash and deposits	1,897	1,380	-517
Investments, loans and placements	239	423	184
Other receivables	1,434	1,348	-85
Equity investments	30	9	-21
Total financial assets	*3,600*	*3,160*	*-440*
Non-financial assets			
Land and fixed assets	16,559	16,380	-179
Other non-financial assets(a)	2,208	2,478	270
Total non-financial assets	*18,767*	*18,858*	*91*
Total assets	**22,367**	**22,018**	**-349**
Liabilities			
Interest bearing liabilities			
Loans	2,947	2,515	-433
Other borrowing	3,468	3,471	3
Total interest bearing liabilities	*6,415*	*5,986*	*-430*
Provisions and payables			
Superannuation liability	57	4	-53
Other employee liabilities	1,318	1,349	31
Other provisions and payables(a)	2,693	2,760	67
Total provisions and payables	*4,068*	*4,113*	*44*
Total liabilities	**10,483**	**10,098**	**-385**
Shares and other contributed capital	**11,884**	**11,920**	**36**
Net worth(b)	**11,884**	**11,920**	**36**
Net financial worth(c)	*-6,883*	*-6,938*	*-54*
Net debt(d)	*4,279*	*4,183*	*-96*

(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, loans and other borrowing), minus the sum of cash and deposits and investments, loans and placements.

Table 15: Australian Government public non-financial corporations sector cash flow statement[(a)]

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Cash receipts from operating activities			
Receipts from sales of goods and services	10,732	10,421	-311
GST input credit receipts	266	277	11
Other receipts	61	87	26
Total operating receipts	**11,059**	**10,785**	**-274**
Cash payments for operating activities			
Payments to employees	-4,533	-4,326	207
Payment for goods and services	-5,746	-5,634	112
Interest paid	-68	-65	3
GST payments to taxation authority	-618	-396	221
Other payments	-130	-84	46
Total operating payments	**-11,095**	**-10,506**	**589**
Net cash flows from operating activities	**-36**	**279**	**315**
Cash flows from investments in non-financial assets			
Sales of non-financial assets	245	257	12
Purchases of non-financial assets	-3,524	-3,523	1
Net cash flows from investments in non-financial assets	**-3,279**	**-3,266**	**13**
Net cash flows from investments in financial assets for policy purposes	**0**	**0**	**0**
Cash flows from investments in financial assets for liquidity purposes			
Increase in investments	892	656	-237
Net cash flows from investments in financial assets for liquidity purposes	**892**	**656**	**-237**
Net cash flows from financing activities			
Borrowing (net)	-106	-13	92
Other financing (net)	3,746	3,051	-695
Distributions paid (net)	-212	-217	-5
Net cash flows from financing activities	**3,429**	**2,821**	**-608**
Net increase/(decrease) in cash held	**1,006**	**489**	**-517**
Cash at the beginning of the year	**891**	**891**	**0**
Cash at the end of the year	**1,897**	**1,380**	**-517**
Net cash from operating activities and investments in non-financial assets	**-3,315**	**-2,987**	**328**
Distributions paid	-212	-217	-5
Equals surplus(+)/deficit(-)	**-3,527**	**-3,204**	**323**
Finance leases and similar arrangements(b)	0	-2,076	-2,076
GFS cash surplus(+)/deficit(-)	**-3,527**	**-5,280**	**-1,753**

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

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Revenue			
Taxation revenue	350,809	351,022	213
Sales of goods and services	16,946	16,608	-338
Interest income	3,468	3,389	-79
Dividend income	4,073	3,883	-190
Other	6,730	6,868	138
Total revenue	**382,026**	**381,770**	**-256**
Expenses			
Gross operating expenses			
Wages and salaries(a)	23,359	22,371	-989
Superannuation	6,707	6,846	139
Depreciation and amortisation	7,440	7,278	-162
Supply of goods and services	77,856	78,776	920
Other operating expenses(a)	6,471	6,712	241
Total gross operating expenses	*121,833*	*121,983*	*150*
Superannuation interest expense	8,320	8,214	-106
Interest expenses	14,653	14,942	289
Current transfers			
Current grants	117,437	115,911	-1,526
Subsidy expenses	15,499	15,672	173
Personal benefits	124,944	125,174	230
Total current transfers	*257,880*	*256,757*	*-1,123*
Capital transfers	21,830	21,359	-471
Total expenses	**424,517**	**423,256**	**-1,261**
Net operating balance	**-42,491**	**-41,486**	**1,005**
Other economic flows	**8,436**	**3,887**	**-4,549**
Comprehensive result - Total change in net worth	**-34,056**	**-37,599**	**-3,544**
Net acquisition of non-financial assets			
Purchases of non-financial assets	13,132	14,339	1,208
less Sales of non-financial assets	458	439	-19
less Depreciation	7,440	7,278	-162
plus Change in inventories	439	718	279
plus Other movements in non-financial assets	733	989	256
Total net acquisition of non-financial assets	**6,406**	**8,330**	**1,923**
Fiscal balance (Net lending/borrowing)(b)	**-48,898**	**-49,816**	**-918**

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

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Assets			
Financial assets			
Cash and deposits	4,901	5,225	324
Advances paid	39,737	39,591	-146
Investments, loans and placements	117,307	117,609	302
Other receivables	47,354	45,640	-1,714
Equity investments	61,437	63,135	1,698
Total financial assets	*270,736*	*271,199*	*463*
Non-financial assets			
Land and fixed assets	123,212	123,806	594
Other non-financial assets	8,783	9,338	555
Total non-financial assets	*131,995*	*133,144*	*1,149*
Total assets	**402,731**	**404,343**	**1,611**
Liabilities			
Interest bearing liabilities			
Deposits held	182	211	29
Government securities	346,648	351,285	4,637
Loans	12,252	12,430	178
Other borrowing	4,992	5,144	152
Total interest bearing liabilities	*364,074*	*369,070*	*4,996*
Provisions and payables			
Superannuation liability	157,124	221,751	64,626
Other employee liabilities	16,420	17,279	859
Other provisions and payables	51,869	52,817	948
Total provisions and payables	*225,414*	*291,847*	*66,433*
Total liabilities	**589,489**	**660,917**	**71,429**
Shares and other contributed capital	**11,884**	**11,920**	**36**
Net worth(a)	**-186,757**	**-256,575**	**-69,817**
Net financial worth(b)	*-318,752*	*-389,718*	*-70,966*
Net debt(c)	*202,130*	*206,646*	*4,516*

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

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Cash receipts from operating activities			
Taxes received	341,512	338,284	-3,228
Receipts from sales of goods and services	17,750	16,754	-996
Interest receipts	3,239	3,182	-57
Dividends and income tax equivalents	2,828	2,763	-65
Other receipts	6,377	6,824	447
Total operating receipts	**371,706**	**367,807**	**-3,898**
Cash payments for operating activities			
Payments to employees	-31,120	-30,216	904
Payments for goods and services	-78,790	-79,352	-562
Grants and subsidies paid	-152,953	-148,990	3,963
Interest paid	-13,972	-14,019	-46
Personal benefit payments	-126,398	-126,367	31
Other payments	-6,056	-5,770	286
Total operating payments	**-409,288**	**-404,713**	**4,575**
Net cash flows from operating activities	**-37,583**	**-36,906**	**677**
Cash flows from investments in non-financial assets			
Sales of non-financial assets	709	714	5
Purchases of non-financial assets	-13,351	-12,535	817
Net cash flows from investments in non-financial assets	**-12,642**	**-11,820**	**822**
Net cash flows from investments in financial assets for policy purposes	**-3,154**	**-3,138**	**16**
Cash flows from investments in financial assets for liquidity purposes			
Increase in investments	-7,699	-7,063	637
Net cash flows from investments in financial assets for liquidity purposes	**-7,699**	**-7,063**	**637**
Net cash flows from financing activities			
Borrowing (net)	64,584	63,205	-1,379
Other financing (net)	-1,571	-2,019	-449
Net cash flows from financing activities	**63,013**	**61,185**	**-1,828**
Net increase/(decrease) in cash held	**1,934**	**2,258**	**324**
Cash at the beginning of the year	**2,966**	**2,966**	**0**
Cash at the end of the year	**4,901**	**5,225**	**324**
Net cash from operating activities and investments in non-financial assets	**-50,225**	**-48,726**	**1,498**
Distributions paid	0	0	0
Equals surplus(+)/deficit(-)	**-50,225**	**-48,726**	**1,498**
Finance leases and similar arrangements(b)	-469	-2,662	-2,193
GFS cash surplus(+)/deficit(-)	**-50,693**	**-51,388**	**-695**

(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 19: Australian Government public financial corporations sector operating statement

	2013-14 Outcome $m
Revenue	
Current grants and subsidies	9,039
Sales of goods and services	6,713
Interest income	1,981
Other	93
Total revenue	**17,826**
Expenses	
Gross operating expenses	
Wages and salaries(a)	897
Superannuation	91
Depreciation and amortisation	74
Other operating expenses(a)	5,988
Total gross operating expenses	*7,050*
Interest expenses	1,154
Other property expenses	1,389
Current transfers	
Tax expenses	88
Total current transfers	*88*
Total expenses	**9,681**
Net operating balance	**8,145**
Other economic flows	**359**
Comprehensive result - Total change in net worth excluding contribution from owners	**8,504**
Net acquisition of non-financial assets	
Purchases of non-financial assets	805
less Sales of non-financial assets	5
less Depreciation	74
plus Change in inventories	2
plus Other movements in non-financial assets	-1
Total net acquisition of non-financial assets	**728**
Fiscal balance (Net lending/borrowing)(b)	**7,418**

(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 20: Australian Government public financial corporations sector balance sheet

	2013-14 Outcome $m
Assets	
Financial assets	
Cash and deposits	1,030
Investments, loans and placements	145,803
Other receivables	581
Equity investments	638
Total financial assets	*148,051*
Non-financial assets	
Land and other fixed assets	982
Other non-financial assets(a)	81
Total non-financial assets	*1,064*
Total assets	**149,114**
Liabilities	
Interest bearing liabilities	
Deposits held	114,351
Borrowing	9,532
Total interest bearing liabilities	*123,883*
Provisions and payables	
Superannuation liability	197
Other employee liabilities	1,441
Other provisions and payables(a)	2,956
Total provisions and payables	*4,595*
Total liabilities	**128,478**
Shares and other contributed capital	**20,637**
Net worth(b)	**20,637**
Net financial worth(c)	*19,573*
Net debt(d)	*-22,949*

(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 21: Australian Government public financial corporations sector cash flow statement[(a)]

	2013-14 Outcome $m
Cash receipts from operating activities	
Receipts from sales of goods and services	6,675
Grants and subsidies received	8,970
GST input credit receipts	19
Interest receipts	1,894
Other receipts	78
Total operating receipts	**17,637**
Cash payments for operating activities	
Payments to employees	-696
Payment for goods and services	-10,730
Interest paid	-1,137
GST payments to taxation authority	-1
Other payments	5,032
Total operating payments	**-7,532**
Net cash flows from operating activities	**10,105**
Cash flows from investments in non-financial assets	
Sales of non-financial assets	5
Purchases of non-financial assets	-803
Net cash flows from investments in non-financial assets	**-798**
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	-40,097
Net cash flows from investments in financial assets for liquidity purposes	**-40,097**
Net cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	27,366
Deposits received (net)	0
Other financing (net)	3,961
Distributions paid (net)	-603
Net cash flows from financing activities	**30,725**
Net increase/(decrease) in cash held	**-65**
Cash at the beginning of the year	**1,095**
Cash at the end of the year	**1,030**
Net cash from operating activities and investments in non-financial assets	**9,307**
Distributions paid	-603
Equals surplus(+)/deficit(-)	**8,704**
Finance leases and similar arrangements(b)	0
GFS cash surplus(+)/deficit(-)	**8,704**

(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.

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. Detailed accounting policies, as well as a set of notes and other disclosures, 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. The statements for the GGS are based on audit cleared financial statements for material agencies, with the exception of the Departments of Education, Employment and Veterans Affairs and the closing statements for the Department of Employment, Education and Workplace Relations. The statements for the Department of Communications are audit-cleared except for the valuation of investments.

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.

AASB 1049 and the 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).

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 in in Part 1.

AASB 1049 requires major variances between original budget estimates and outcomes to be explained in the financial statements. Explanations of major variances in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth for the 2013-14 year from the 2013-14 Budget to the 2013-14 Mid-Year Economic and Fiscal Outlook (MYEFO) are discussed in Part 3 of the 2013-14 MYEFO. Explanations of variances for the 2013-14 year from MYEFO to the 2014-15 Budget are disclosed in Statement 3 of 2014-15 Budget Paper No. 1, Budget Strategy and Outlook. Explanations of variances from the 2014-15 Budget to the Final Budget Outcome 2013-14 are disclosed in Part 1.

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.

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The major differences between AAS and the ABS GFS treatments of transactions are outlined in Table 22.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to ABS GFS measurement of key fiscal aggregates, where different, in notes to the financial statements. Differences from the AAS measurement of items outline above and reconciliation have not been included as they would effectively create different measures of the same aggregate.

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

Table 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 using the perpetual inventory method from September quarter 2009. 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)	The issuance and registration of RECs is considered to be an administrative function and does not result in the recognition of assets or liabilities and, consequently, no revenues or expenses are recognised.	The issuance and registration of RECs is considered to be government financial transactions resulting in the recognition of assets, liabilities, revenue and expenses.	AAS
Carbon tax	The issuance and surrender of free carbon units and Australian Carbon Credit Units (ACCUs) used in the settlement of emissions liabilities are not recognised.	The issuance and surrender of free carbon units and ACCUs used in the settlement of emissions' liabilities are treated as expenses and revenues respectively.	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

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

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
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
Payment to the Reserve Bank of Australia	Treated as a grant.	Treated as an equity injection.	AAS
Fiscal aggregates differences			
Finance leases	Does not deduct finance leases in the derivation of the cash surplus/deficit.	Deducts finance leases in the derivation of the cash surplus/deficit.	Both are disclosed
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
Net financial worth of PNFC and PFC	Calculated as financial assets less total liabilities.	Calculated as financial assets less total liabilities less shares and contributed capital.	AAS
Classification difference			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	ABS GFS
Spectrum sales	Recognise non-financial asset sales for fiscal balance when payment is made and the licences take effect, which may be after the auction of licences, as this is regarded as the point control is transferred. Recognise cash at the time of receipt.	Recognise non-financial asset sales for fiscal balance at time of auction as this is regarded as the point control is transferred. Recognise cash at the time of receipt.	AAS

Note 3: Taxation revenue by type

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Individuals and other withholding taxes			
Gross income tax withholding	158,300	157,761	-539
Gross other individuals	37,180	37,561	381
less: Refunds	27,100	27,407	307
Total individuals and other withholding tax	168,380	167,915	-465
Fringe benefits tax	4,140	4,285	145
Company tax	69,400	68,764	-635
Superannuation fund taxes	6,580	6,146	-434
Minerals resource rent tax(a)	170	141	-29
Petroleum resource rent tax	1,470	1,645	175
Income taxation revenue	**250,140**	**248,897**	**-1,243**
Goods and services tax	54,321	55,517	1,196
Wine equalisation tax	810	826	16
Luxury car tax	430	476	46
Excise and customs duty			
Petrol	5,890	5,927	37
Diesel	8,820	8,758	-62
Other fuel products	3,600	3,572	-28
Tobacco	7,770	8,531	761
Beer	2,330	2,307	-23
Spirits	1,890	1,902	12
Other alcoholic beverages(b)	960	908	-52
Other customs duty			
Textiles, clothing and footwear	770	789	19
Passenger motor vehicles	920	921	1
Other imports	1,660	1,633	-27
less: Refunds and drawbacks	360	319	-41
Total excise and customs duty	34,250	34,929	679
Carbon pricing mechanism(c)	7,340	6,623	-717
Agricultural levies	476	491	15
Other taxes	3,190	3,329	140
Mirror taxes	508	498	-10
less: Transfers to States in relation to mirror tax revenue	508	498	-10
Mirror tax revenue	0	0	0
Indirect taxation revenue	**100,817**	**102,191**	**1,374**
Taxation revenue	**350,956**	**351,088**	**131**
Memorandum:			
Total excise	*25,230*	*25,648*	*418*
Total customs duty	*9,020*	*9,280*	*260*
Medicare and DisabilityCare Australia levy	*10,480*	*10,309*	*-171*

(a) Net revenue from the MRRT was $0.1 billion in 2013-14 which represents the net revenue impact across different revenue heads. These include offsetting reductions in company tax (through deductibility) and interactions with other taxes.

(b) Other alcoholic 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 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

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Taxes on income, profits and capital gains			
Income and capital gains levied on individuals	172,530	172,215	-315
Income and capital gains levied on enterprises	77,610	76,682	-927
Total taxes on income, profits and capital gains	**250,140**	**248,897**	**-1,243**
Taxes on employers' payroll and labour force	700	844	144
Taxes on the provision of goods and services			
Sales/goods and services tax	55,561	56,819	1,258
Excises and levies	25,706	26,139	433
Taxes on international trade	9,020	9,280	260
Total taxes on the provision of goods and services	**90,287**	**92,239**	**1,952**
Other sale of goods and services	9,830	9,108	-721
Total taxation revenue	**350,956**	**351,088**	**131**
Memorandum:			
Medicare and DisabilityCare Australia levy	*10,480*	*10,309*	*-171*

Note 4: Sales of goods and services revenue

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Sales of goods	1,520	1,453	-67
Rendering of services	3,994	3,645	-349
Operating lease rental	63	68	5
Fees from regulatory services	3,276	3,408	132
Total sales of goods and services revenue	**8,853**	**8,573**	**-280**

Note 5: Interest and dividend revenue

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Interest from other governments			
State and Territory debt	9	9	0
Housing agreements	138	121	-18
Total interest from other governments	**148**	**131**	**-17**
Interest from other sources			
Advances	47	44	-3
Deposits	91	39	-52
Bills receivable	0	5	5
Bank deposits	158	257	99
Indexation of HELP receivable and other student loans	536	408	-127
Other	2,465	2,457	-8
Total interest from other sources	**3,297**	**3,210**	**-87**
Total interest	**3,445**	**3,341**	**-104**
Dividends			
Dividends from other public sector entities	2,154	1,695	-459
Other dividends	2,134	2,410	276
Total dividends	**4,288**	**4,105**	**-183**
Total interest and dividend revenue	**7,733**	**7,446**	**-287**

Note 6: Other sources of non-taxation revenue

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Industry contributions	42	75	32
Royalties	1,852	1,823	-29
Seigniorage	135	112	-23
Other	4,695	4,833	139
Total other sources of non-taxation revenue	**6,724**	**6,843**	**118**

Note 7: Employee and superannuation expense

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Wages and salaries expenses	**19,532**	**18,823**	**-709**
Other operating expenses			
Leave and other entitlements	2,449	2,614	165
Separations and redundancies	273	580	306
Workers compensation premiums and claims	741	740	-1
Other	2,577	2,090	-487
Total other operating expenses	**6,039**	**6,023**	**-17**
Superannuation expenses			
Superannuation	6,235	6,372	138
Superannuation interest cost	8,320	8,214	-106
Total superannuation expenses	**14,555**	**14,586**	**31**
Total employee and superannuation expense	**40,127**	**39,432**	**-695**

Note 8: Depreciation and amortisation expense

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Depreciation			
Specialist military equipment	2,815	2,539	-276
Buildings	1,329	1,422	93
Other infrastructure, plant and equipment	1,401	1,394	-7
Heritage and cultural assets	37	51	14
Total depreciation	**5,583**	**5,407**	**-176**
Total amortisation	**891**	**934**	**43**
Total depreciation and amortisation expense	**6,474**	**6,341**	**-134**

Note 9: Supply of goods and services expense

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Supply of goods and services	23,904	23,831	-73
Operating lease rental expenses	2,650	2,549	-100
Personal benefits - indirect	40,906	40,943	37
Health care payments	5,336	5,604	269
Other	1,757	2,376	619
Total supply of goods and services expense	**74,552**	**75,304**	**751**

Note 10: Interest expense

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Interest on debt			
Government securities	13,429	13,390	-39
Loans	10	10	0
Other	283	262	-21
Total interest on debt	**13,723**	**13,662**	**-61**
Other financing costs	**674**	**935**	**262**
Total interest expense	**14,396**	**14,597**	**201**

Note 11: Current and capital grants expense

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Current grants expense			
State and Territory governments	88,473	88,454	-20
Local governments	17	15	-2
Private sector(a)	2,358	1,920	-438
Overseas	4,218	4,172	-46
Non-profit organisations(a)(b)	1,600	3,966	2,365
Multi-jurisdictional sector	9,755	9,634	-121
Other(b)	11,015	7,750	-3,265
Total current grants expense	**117,437**	**115,911**	**-1,526**
Capital grants expense			
Mutually agreed write-downs	3,094	2,627	-467
Other capital grants			
State and Territory governments	8,616	8,765	150
Local governments	728	714	-15
Private sector	34	34	0
Multi-jurisdictional sector	99	97	-1
Other	9,260	9,122	-138
Total capital grants expense	**21,830**	**21,359**	**-471**
Total grants expense	**139,267**	**137,270**	**-1,997**

(a) Includes reallocation of some programs between grants to private sector and grants to non-profit organisations since 2014-15 Budget.

(b) Includes reallocation of some programs between grants to non-profit organisations and grants to other since 2014-15 Budget.

Note 12: Personal benefits expense

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Social welfare - assistance to the aged	40,279	40,194	-85
Assistance to veterans and dependants	6,226	6,147	-79
Assistance to people with disabilities	23,237	23,217	-20
Assistance to families with children	32,805	33,283	478
Assistance to the unemployed	10,226	10,050	-176
Student assistance	3,602	3,557	-45
Other welfare programmes	335	936	601
Financial and fiscal affairs	468	403	-65
Vocational and industry training	295	293	-2
Other	7,470	7,093	-377
Total personal benefit expense	**124,944**	**125,174**	**230**

Note 13: Advances paid and other receivables

	2013-14 Estimate at 2014-15 Budget $m	2013-15 Outcome $m	Change on 2014-15 Budget $m
Advances paid			
Loans to State and Territory governments	2,510	2,502	-8
Higher Education Loan Program	25,183	25,147	-36
Student Financial Supplement Scheme	624	604	-19
Other	11,444	11,566	122
less Provision for doubtful debts	24	228	204
Total advances paid	**39,737**	**39,591**	**-146**
Other receivables			
Goods and services receivable	829	817	-12
Recoveries of benefit payments	3,398	3,635	237
Taxes receivable	22,700	20,352	-2,348
Prepayments	2,511	2,985	474
Other	18,013	20,094	2,081
less Provision for doubtful debts	1,400	2,633	1,234
Total other receivables	**46,051**	**45,249**	**-802**

Note 14: Investments, loans and placements

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Investments - deposits	36,823	36,926	103
IMF quota	5,339	5,306	-33
Other	75,209	75,276	66
Total investments, loans and placements	**117,371**	**117,507**	**136**

Note 15: Non-financial assets

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Land and buildings			
Land	8,929	9,331	403
Buildings	24,335	24,723	388
Total land and buildings	**33,264**	**34,054**	**790**
Plant, equipment and infrastructure			
Specialist military equipment	41,384	41,242	-142
Other	13,490	13,051	-440
Total plant, equipment and infrastructure	**54,875**	**54,293**	**-581**
Inventories			
Inventories held for sale	1,280	1,267	-12
Inventories not held for sale	6,662	6,986	324
Total inventories	**7,942**	**8,253**	**311**
Intangibles			
Computer software	3,535	3,629	94
Other	2,275	2,509	234
Total intangibles	**5,810**	**6,138**	**328**
Total investment properties	**196**	**183**	**-13**
Total biological assets	**35**	**36**	**1**
Total heritage and cultural assets	**10,573**	**10,825**	**252**
Total assets held for sale	**136**	**95**	**-42**
Total other non-financial assets	**397**	**409**	**12**
Total non-financial assets	**113,228**	**114,286**	**1,058**

Note 16: Loans

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Promissory notes	3,709	3,904	194
Special drawing rights	5,086	5,054	-31
Other	813	1,279	467
Total loans	**9,608**	**10,237**	**629**

Note 17: Employee and superannuation liabilities

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Total superannuation liability(a)	**157,067**	**221,746**	**64,679**
Other employee liabilities			
Leave and other entitlements	7,496	7,331	-165
Accrued salaries and wages	686	772	85
Workers compensation claims	3,166	3,175	9
Separations and redundancies	110	284	174
Other	3,644	4,368	724
Total other employee liabilities	**15,102**	**15,931**	**828**
Total employee and superannuation liabilities	**172,169**	**237,677**	**65,508**

(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

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Suppliers payable			
Trade creditors	3,913	3,560	-354
Operating lease rental payable	222	264	41
Other creditors	497	1,056	560
Total suppliers payable	**4,632**	**4,880**	**247**
Total personal benefits provisions and payables	**12,384**	**13,137**	**753**
Total subsidies provisions and payables	**4,242**	**4,517**	**275**
Grants provisions and payables			
State and Territory governments	149	679	530
Non-profit organisations	90	81	-9
Private sector	365	303	-62
Overseas	2,076	1,660	-416
Local governments	7	2	-5
Other	11,484	11,476	-9
Total grants provisions and payables	**14,170**	**14,201**	**31**
Other provisions and payables			
Provisions for tax refunds	3,406	2,919	-487
Other	10,473	11,362	889
Total other provisions and payables	**13,879**	**14,281**	**402**

Note 19: Reconciliation of cash

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Operating balance (revenues less expenses)	**-41,027**	**-39,896**	**1,131**
less **Revenues not providing cash**			
Other	876	554	-322
Total revenues not providing cash	**876**	**554**	**-322**
plus **Expenses not requiring cash**			
Increase/(decrease) in employee entitlements	7,776	16,301	8,525
Depreciation/amortisation expense	6,474	6,341	-134
Mutually agreed write-downs	3,094	2,627	-467
Other	719	-7,127	-7,845
Total expenses not requiring cash	**18,063**	**18,142**	**79**
plus **Cash provided / (used) by working capital items**			
Decrease / (increase) in inventories	-227	-474	-247
Decrease / (increase) in receivables	-9,970	-9,297	672
Decrease / (increase) in other financial assets	1,630	99	-1,530
Decrease / (increase) in other non-financial assets	-64	-319	-254
Increase / (decrease) in benefits, subsidies and grants payable	-2,962	-2,375	587
Increase / (decrease) in suppliers' liabilities	345	-544	-889
Increase / (decrease) in other provisions and payables	-2,245	-1,750	496
Net cash provided / (used) by working capital	**-13,493**	**-14,659**	**-1,166**
equals (Net cash from/(to) operating activities)	-37,334	-36,968	367
plus (Net cash from/(to) investing activities)	-24,530	-22,644	1,886
Net cash from operating activities and investment	**-61,864**	**-59,611**	**2,253**
plus (Net cash from/(to) financing activities)	62,792	61,380	-1,412
equals Net increase/(decrease) in cash	**928**	**1,769**	**841**
Cash at the beginning of the year	**2,075**	**2,075**	**0**
Net increase/(decrease) in cash	928	1,769	841
Cash at the end of the year	**3,004**	**3,844**	**841**

Note 19(a): Consolidated Revenue Fund

	2013-14 Estimate at 2014-15 Budget $m	2013-14 Outcome $m	Change on 2014-15 Budget $m
Total general government sector cash	3,004	3,844	840
less CAC Agency cash balances	1,907	2,217	310
plus Special public monies	294	173	-121
Balance of Consolidated Revenue Fund at 30 June	**1,391**	**1,800**	**409**

The cash balances reflected in the balance sheet for the Australian Government GGS (Table 11) include the reported cash balances controlled and administered by Australian Government agencies and entities subject to the *Financial Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997* (CAC Act), that implement public policy through the provision of primarily non-market services. From 1 July 2014, these agencies and entities will be subject to equivalent provisions under the *Public Governance, Performance and Accountability Act 2013*.

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 *Final Budget Outcome* 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.

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, overriding 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*.[1]

1 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).

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.[2]

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).

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

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.

2 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.

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.[3]

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.

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

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3 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.

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[4] (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, 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.

4 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.

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[5]

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. Prior to the 2012-13 MYEFO, 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 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 12 of this statement and the historical tables in Appendix B.

5 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.

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.

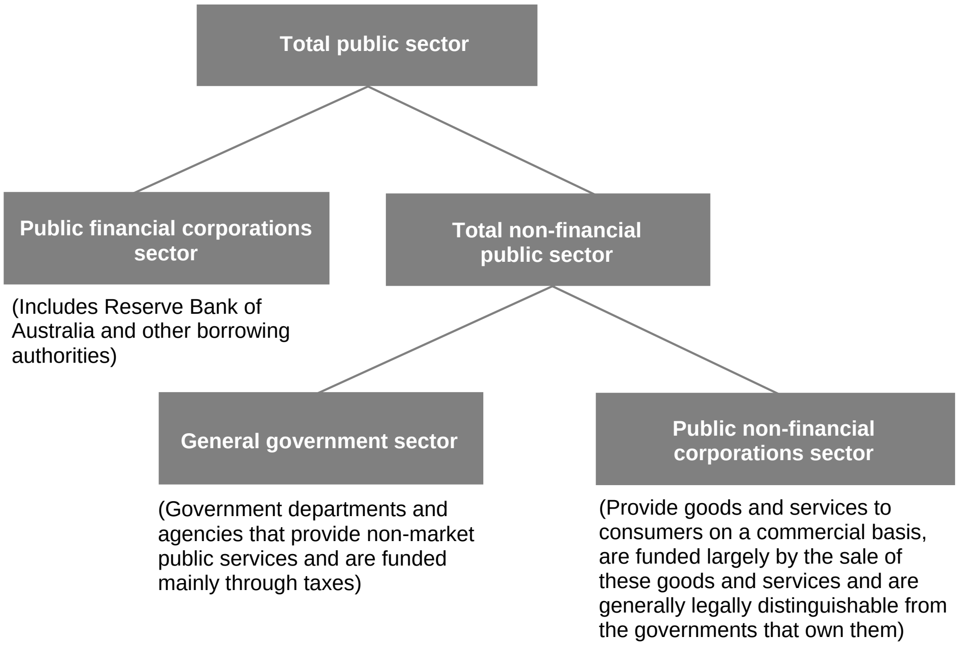
Cash flows from investments in financial assets for policy purposes include equity transactions and net advances.[6] Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the States, net loans to students 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 general government sector (GGS) and the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors. AASB 1049 has also adopted this sectoral reporting.

6 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



All entities are classified as GGS entities except for the following list of portfolio entities that are classified as PFC or PNFC (Table 23).

A table which provides a full list of public sector principal entities is available on the Department of Finance website at www.finance.gov.au/sites/default/files/list-ggs-pnfc-pfc-pgpa.pdf.

Table 23: Entities outside of the general government sector

Public financial corporations
Employment Portfolio
Coal Mining Industry (Long Service Leave Funding) Corporation
Finance Portfolio
Medibank Private Ltd
Foreign Affairs and Trade Portfolio
Export Finance and Insurance Corporation
Treasury Portfolio
Australian Reinsurance Pool Corporation, Reserve Bank of Australia
Public non-financial corporations
Attorney General's Portfolio
Australian Government Solicitor
Communications Portfolio
Australian Postal Corporation, NBN Co Ltd
Finance Portfolio
Albury-Wodonga Development Corporation, ASC Pty Ltd, Australian River Co. Ltd
Industry Portfolio
ANSTO Nuclear Medicine Pty Ltd
Infrastructure and Regional Development Portfolio
Airservices Australia, Australian Rail Track Corporation Ltd, Moorebank Intermodal Company Ltd
Prime Minister and Cabinet Portfolio
Voyages Indigenous Tourism Australia Pty Ltd
Social Services Portfolio
Australian Hearing Services

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 24, the Commonwealth's 2013-14 LCA final budget outcome is a $57.5 billion deficit. This compares with the Australian Government's 2013-14 LCA Budget estimate of a $29.0 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 2013-14 LCA final budget outcome exceeds the 2 per cent tolerance limit. This primarily reflects write-downs in tax receipts and higher payments than estimated at the time of the 2013-14 Budget.

Table 24: Australian Government Loan Council Allocation

		2013-14 Budget Estimate $m	2013-14 Outcome $m
	GGS cash surplus(-)/deficit(+)	14,736	45,522
	PNFC sector cash surplus(-)/deficit(+)	4,862	3,204
	NFPS cash surplus(-)/deficit(+)(a)	19,599	48,726
plus	Acquisitions under finance leases and similar arrangements	469	2,662
equals	ABS GFS cash surplus(-)/deficit(+)	20,067	51,388
minus	Net cash flows from investments in financial assets for policy purposes(b)	-10,073	-6,371
plus	Memorandum items(c)	-1,121	-241
	Loan Council Allocation	**29,019**	**57,518**

(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.