

Appendix A: External Reporting Standards and Financial Statements

This appendix describes the external reporting standards upon which this report is based, and financial statements for the Commonwealth General Government Sector, presented in accordance with those standards. The standards are consistent with those used in 2001-02 Budget and the 2001-02 MYEFO.

EXTERNAL REPORTING STANDARDS

The major external standards used in this report are the Australian Bureau of Statistics (ABS) accrual Government Finance Statistics (GFS) framework and Australian Accounting Standards, including *Australian Accounting Standard No. 31 Financial Reporting by Governments* (AAS31). The estimates provided in this report are generally consistent with these standards, with the following exceptions.

The draft ABS GFS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods* (Cat. No. 5514.0) requires that provisions for bad and doubtful debts be excluded from the balance sheet. This treatment has not been adopted in this report because excluding such provisions would overstate the value of Commonwealth assets in the balance sheet (and would therefore be inconsistent with the market valuation principle).

The GFS framework also requires that flows and stocks are valued at current market prices (or where these are not observable, a suitable proxy indicator). However, as outlined in the budget papers, not all assets and liabilities in the Commonwealth's GFS balance sheet are currently valued at current market prices. This is principally because Australian Accounting Standards allow reporting entities to elect to value their assets at either cost or fair value (current market value).

In relation to taxation revenue, the relevant external reporting standards suggest that accrual revenue be recognised at the time the income (or economic activity) giving rise to a tax liability occurs, where this can be measured *reliably*. The budget papers note that at this stage it is not considered that taxation revenues can be reliably measured on this basis for budget reporting purposes. Accrual taxation revenue in this report is therefore recognised at the time a taxpayer makes a self-assessment or when the Australian Taxation Office or the Australian Customs Service raises a tax assessment.

Finally, consistent with the presentation adopted by the Government in the Budget, Commonwealth revenue and expenses estimates in the main body of this report (and in the AAS31 financial statements below) do not include goods and services tax (GST) collections and equivalent payments to the States. However, in line with the Budget presentation, the GST is recorded as a Commonwealth revenue and the equivalent payments to the States as Commonwealth expenses in the GFS financial statements presented in this appendix.

Additional information on external reporting standards and budget concepts applied in this report is provided in Appendix D of the 2001-02 MYEFO.

GOVERNMENT FINANCE STATISTICS STATEMENTS

Table A1: Commonwealth general government operating statement — GFS

	2001-02	2002-03	2003-04	2004-05
	\$m	\$m	\$m	\$m
GFS revenue				
Taxation revenue	176,004	184,652	196,131	207,373
Current grants and subsidies	0	0	0	0
Sales of goods and services	3,106	3,114	3,140	3,169
Interest income	936	1,014	1,115	1,553
Dividend income	4,783	3,446	3,007	2,657
Other	3,459	3,201	3,136	3,116
Total GFS revenue	188,286	195,427	206,528	217,868
GFS expenses				
Gross operating expenses				
Depreciation	1,548	1,537	1,615	1,617
Superannuation	1,915	1,934	1,960	1,875
Salaries and wages	10,329	10,268	10,542	11,175
Payment for supply of goods and services	35,482	37,236	39,233	41,319
Other operating expenses	1,286	1,175	1,130	807
<i>Total gross operating expenses</i>	<i>50,561</i>	<i>52,150</i>	<i>54,481</i>	<i>56,793</i>
Nominal superannuation interest expense	4,847	4,486	4,641	4,675
Other interest expenses	5,397	5,110	4,625	4,259
Other property expenses	0	0	0	0
Current transfers				
Grant expenses	60,782	62,726	65,005	67,216
Subsidy expenses	4,233	4,337	4,480	4,576
Personal benefit payments in cash	62,802	65,919	70,252	74,217
Other current transfers	0	0	0	0
<i>Total current transfers</i>	<i>127,817</i>	<i>132,982</i>	<i>139,737</i>	<i>146,010</i>
Capital transfers	3,400	3,040	2,830	2,840
Total GFS expenses	192,022	197,769	206,314	214,575
Net operating balance	-3,736	-2,342	214	3,293
Net acquisition of non-financial assets				
Gross fixed capital formation	1,016	553	1,127	1,038
<i>less</i> Depreciation	<i>1,548</i>	<i>1,537</i>	<i>1,615</i>	<i>1,617</i>
<i>plus</i> Change in inventories	<i>-12</i>	<i>54</i>	<i>364</i>	<i>313</i>
<i>plus</i> Other movements in non-financial assets	<i>-268</i>	<i>-122</i>	<i>-274</i>	<i>-111</i>
Total net acquisition of non-financial assets	-812	-1,051	-398	-377
Net lending/fiscal balance(a)(b)	-2,923	-1,290	612	3,670

(a) GFS net lending also equals net transactions in financial assets less net transactions in liabilities. The term 'fiscal balance' is not used by the ABS.

(b) The fiscal balance and net operating balance estimates for 2001-02 in this table are \$150 million greater than the 2001-02 fiscal balance and net operating balance estimates in the fiscal outlook section of the PEFO. This represents GST revenue accrued in 2001-02 but not yet paid to the States (as GST is paid to the States on a cash basis). Under the State tax treatment applied elsewhere in this document, GST revenue accrued is offset by an equivalent amount payable to the States. Further information is provided in Attachment A to Part I of the *Final Budget Outcome 2000-01*.

Table A2: Commonwealth general government balance sheet — GFS

	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
GFS assets				
Financial assets				
Cash and deposits	1,099	557	175	152
Advances paid	19,227	20,082	20,651	21,983
Investments, loans and placements	9,861	10,003	10,163	10,272
Other non-equity assets	10,521	9,696	9,721	9,816
Equity	51,427	51,326	38,923	26,546
<i>Total financial assets</i>	<i>92,134</i>	<i>91,664</i>	<i>79,632</i>	<i>68,769</i>
Non-financial assets				
Land	4,061	3,819	3,675	3,548
Buildings	12,017	11,403	11,291	11,086
Plant, equipment and infrastructure	11,099	11,510	11,451	11,370
Inventories	3,479	3,533	3,897	4,210
Other non-financial assets	3,282	3,159	3,057	3,035
<i>Total non-financial assets</i>	<i>33,938</i>	<i>33,423</i>	<i>33,371</i>	<i>33,249</i>
Total GFS assets	126,072	125,088	113,003	102,018
GFS liabilities				
Deposits held	293	293	293	293
Advances received	0	0	0	0
Government securities	51,420	51,113	38,480	23,362
Loans	13,700	13,185	12,146	11,964
Other borrowing	283	203	175	155
Superannuation liability	80,781	82,381	83,854	85,181
Other employee entitlements and provisions	6,473	6,559	6,621	6,574
Other non-equity liabilities	16,037	15,961	15,842	15,766
Total GFS liabilities	168,988	169,695	157,410	143,296
Net worth(a)	-42,916	-44,607	-44,407	-41,278
Net financial worth(b)	-76,854	-78,031	-77,778	-74,527
Net debt(c)	35,510	34,152	20,105	3,368

(a) Net worth is calculated as assets minus liabilities.

(b) Net financial worth equals total financial assets minus total liabilities.

(c) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table A3: Commonwealth general government cash flow statement — GFS^(a)

	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
Cash receipts from operating activities				
Taxes received	176,105	184,683	195,352	206,577
Receipts from sales of goods and services	2,865	2,974	3,024	3,000
Grants/subsidies received	0	0	0	0
Interest receipts	845	970	1,031	1,494
Dividends	4,783	3,446	3,007	2,657
GST receipts related to purchases/sales	0	0	0	0
Other receipts	3,171	2,847	2,766	2,726
<i>Total receipts</i>	<i>187,769</i>	<i>194,920</i>	<i>205,180</i>	<i>216,455</i>
Cash payments for operating activities				
Payments for goods and services	-34,878	-37,110	-39,211	-41,288
Grants and subsidies paid	-67,723	-69,446	-71,727	-73,952
Interest paid	-5,245	-5,026	-4,741	-4,439
Personal benefit payments	-62,417	-65,761	-70,113	-74,751
Salaries, wages and other entitlements	-14,956	-14,991	-15,642	-16,477
GST payments related to purchases/sales	0	0	0	0
Other payments for operating activities	-1,170	-1,179	-1,127	-780
<i>Total payments</i>	<i>-186,389</i>	<i>-193,514</i>	<i>-202,560</i>	<i>-211,686</i>
Net cash flows from operating activities	1,380	1,407	2,620	4,769
Cash flows from investments in non-financial assets				
Sales of non-financial assets	1,073	1,498	851	722
Less Purchases of new and secondhand non-financial assets	-2,021	-1,964	-1,699	-1,635
Net cash flows from investments in non-financial assets	-949	-466	-847	-913
Net cash flows from investments in financial assets for policy purposes	3,055	-1,152	10,857	10,711
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	-326	-117	-378	-293
Net cash flows from investments in financial assets for liquidity purposes	-326	-117	-378	-293
Cash flows from financing activities				
Advances received (net)	0	0	0	0
Borrowing (net)	-2,495	-348	-12,677	-15,117
Deposits received (net)	0	0	0	0
Other financing (net)	-670	133	43	820
Net cash flows from financing activities	-3,165	-215	-12,634	-14,297
Net increase/decrease in cash held	-5	-542	-382	-23
Net cash from operating activities and investments in non-financial assets	431	941	1,772	3,856
<i>plus Finance leases & similar arrangements(b)</i>	<i>71</i>	<i>50</i>	<i>3</i>	<i>0</i>
Equals surplus(+)/deficit(-)	502	991	1,776	3,856

(a) A positive number denotes a cash inflow, and negative number denotes a cash outflow.

(b) The acquisition of assets under finance leases reduces the surplus/deficit.

AAS31 FINANCIAL REPORTING BY GOVERNMENTS STATEMENTS

Table A4: Statement of revenue and expenses for the Commonwealth general government sector — AAS31

	Estimates		Projections	
	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
Revenues				
Taxation				
Income tax	118,885	125,105	134,075	142,600
Indirect tax	24,472	25,060	25,775	26,584
Fringe Benefits Tax	3,440	3,560	3,680	3,810
Other taxes	1,378	1,418	1,442	1,450
Total taxation revenue	148,175	155,143	164,971	174,443
Non-taxation				
Sales of goods and services	2,924	2,927	2,949	2,975
Interest and dividends	8,270	6,985	6,457	6,473
Net foreign exchange gains	0	0	0	0
Net gains from sales of assets	2,689	-18	10,102	9,989
Other sources of non-tax revenue	3,693	3,433	3,370	3,355
Total non-tax revenue	17,575	13,326	22,878	22,792
Total revenue	165,750	168,469	187,849	197,235
Expenses				
Goods and services				
Employees	18,377	17,864	18,273	18,532
Suppliers	13,863	13,142	13,176	13,510
Depreciation and amortisation	3,529	3,718	3,927	3,986
Net write down of assets	3,901	1,204	1,218	1,252
Net foreign exchange losses	111	3	0	0
Net losses from the sale of assets	4	2	2	0
Other goods and services expenses	5,759	6,006	6,368	6,690
Total goods and services	45,542	41,939	42,963	43,970
Subsidies benefits and grants				
Personal benefits	73,375	77,692	82,763	87,583
Subsidies	7,501	7,842	8,236	8,669
Grants	35,806	35,299	35,668	36,667
Total subsidies benefits and grants	116,682	120,833	126,667	132,919
Interest and other financing costs				
Interest	7,352	6,785	6,178	5,766
Other financing costs	36	25	20	19
Total interest and other financing costs	7,388	6,810	6,198	5,784
Total expenses	169,613	169,582	175,829	182,674
Operating result	-3,862	-1,113	12,021	14,561
Extraordinary items	0	0	0	0
Operating result after extraordinary items	-3,862	-1,113	12,021	14,561

Table A5: Balance sheet for the Commonwealth general government sector — AAS31

	Estimates		Projections	
	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
Assets				
Financial assets				
Cash	1,099	557	175	152
Receivables	25,364	25,397	25,956	26,831
Investments	27,798	27,829	26,324	24,738
Accrued revenue	557	539	520	531
Other financial assets	16	28	28	28
Total financial assets	54,834	54,350	53,003	52,280
Non-financial assets				
Land and buildings	16,129	15,302	15,079	14,785
Infrastructure	42,298	43,422	44,563	45,802
Intangibles	1,316	1,325	1,279	1,271
Inventories	3,479	3,533	3,897	4,210
Other non-financial assets	1,394	1,266	1,229	1,205
Total non-financial assets	64,616	64,849	66,047	67,273
Total assets	119,450	119,199	119,050	119,552
Liabilities				
Debt				
Government securities	51,420	51,113	38,480	23,362
Loans	6,574	6,533	6,489	6,490
Leases	269	191	163	145
Deposits	293	293	293	293
Overdrafts	0	0	0	0
Other debt	4,173	3,529	2,586	2,349
Total debt	62,729	61,660	48,012	32,639
Provisions and payables				
Employees	87,254	88,940	90,474	91,755
Suppliers	2,020	1,837	1,696	1,563
Personal benefits payable	2,899	3,060	3,222	2,727
Subsidies payable	231	198	164	137
Grants payable	8,603	8,580	8,489	9,075
Other provisions and payables	5,984	6,153	6,085	6,132
Total provisions and payables	106,992	108,768	110,130	111,389
Total liabilities	169,720	170,428	158,142	144,028
Net assets	-50,270	-51,229	-39,092	-24,476
Equity				
Accumulated results	-84,497	-85,609	-71,938	-55,724
Reserves	34,227	34,380	32,846	31,248
Capital	0	0	0	0
Total equity	-50,270	-51,229	-39,092	-24,476

Table A6: Statement of cash flows for the Commonwealth general government sector — AAS31

	Estimates		Projections	
	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
Operating activities				
Cash received				
Taxes	148,662	155,468	164,475	173,932
Sales of goods and services	2,919	3,028	3,079	3,054
Interest	3,378	3,517	3,426	3,769
Dividends	4,783	3,446	3,007	2,657
GST input credit receipts	1,842	1,848	1,836	1,837
Other	3,261	2,937	2,856	2,816
Total operating cash received	164,844	170,244	178,679	188,066
Cash used				
Payments to employees	16,289	16,178	16,739	17,251
Payments to suppliers	15,129	14,861	14,986	15,313
Subsidies paid	7,540	7,875	8,271	8,696
Personal benefits	72,990	77,534	82,624	88,117
Grant payments	35,467	35,322	35,759	36,081
Interest and other financing costs	7,272	6,643	6,250	5,731
GST payments to taxation authority	102	102	102	102
Other	5,596	5,997	6,397	6,696
Total operating cash used	160,385	164,512	171,128	177,987
Net cash from operating activities	4,460	5,732	7,551	10,080
Investing activities				
Cash received				
Proceeds from asset sales program	3,336	32	11,737	11,737
Proceeds from sales of property, plant and equipment and intangibles	1,073	1,498	851	722
Net loans, advances and HECS	0	0	0	0
Other net investing cash received	143	12	0	0
Total investing cash received	4,552	1,542	12,588	12,459
Cash used				
Purchase of property, plant and equipment and intangibles	4,968	5,712	5,881	6,082
Net loans, advances and HECS	35	956	651	815
Other net investing cash paid	469	129	378	293
Total investing cash used	5,472	6,797	6,910	7,189
Net cash from investing activities	-920	-5,255	5,678	5,270
Financing activities				
Cash received				
Net cash received from currency issues	0	0	0	0
Other	0	0	0	0
Total financing cash received	0	0	0	0
Cash used				
Net repayments of borrowings	2,495	348	12,677	15,117
Other	1,050	671	934	256
Total financing cash used	3,545	1,019	13,611	15,373
Net cash from financing activities	-3,545	-1,019	-13,611	-15,373
Net increase/decrease in cash held	-5	-542	-382	-23