

Accounting Standards Update

Review of Financial Reporting by Governments and Government Departments

AAS 29 “Financial Reporting by Government Departments” and AAS 31 “Financial Reporting by Governments” are currently being reviewed by the Australian Accounting Standards Board (AASB).

This review takes into account a number of factors, such as:

- harmonisation with Standards issued by the International Accounting Standards Board (IASB);
- consistency with the requirements of the Government Finance Statistics (GFS) reporting model; and
- International Public Sector Accounting Standards (IPSAS) recently released by the International Federation of Accountants.

The AASB has resolved to continue to issue one series of Standards that are applicable to all entities, including public sector entities. The IASB Standards will be used as the basis for the development of AASB Standards. However, as the IASB Standards are limited to “for-profit” entities, additions must be made to cover issues unique to not-for-profit public sector entities.

Progress of Review

The AASB have undertaken discussions regarding AAS 29 and AAS 31 throughout the year. It has been decided that whilst much of the content of these Standards overlap with other Standards, there are still some areas on which government require specific guidance. It has therefore been decided to replace the Standards with “slimmed-down” versions.

A draft Exposure Draft (ED 10Y), which is the result of the review of AAS 29, has now been issued for comment. Some of the main features of this Exposure Draft include proposed:

- elimination of guidance on issues that the AASB consider to be adequately covered in other Standards;
- elimination of commentary that is no longer relevant or provides little guidance eg. recognition of pre-existing assets for the first time; and
- removal of differences between requirements for government departments and requirements for other entities, related to:
 - classification of assets, liabilities, revenues and expenses;
 - accounting for movements in equity; and
 - accounting for revenues and expenses arising from the sale or disposal of non-current assets.

EXECUTIVE BRIEFING



Specific proposed differences from the existing Standard include:

- a parent entity in a government department economic entity is no longer deemed to be a reporting entity, and therefore is not required to prepare general purpose financial reports;
- extension of choice of measurement basis for transferred liabilities;
- introduction of a requirement for the transferor of assets/liabilities to also disclose details of revenues and expenses attributable to the transferred activities for the reporting period prior to the transfer;
- requirement that a government department adopt a consistent policy for land under roads ie. recognise all or none of land under roads;
- increased prominence of administered disclosures through the addition of a schedule of administered items and accompanying notes in the financial report, and disclosure of administered cash flows; and
- removal of the requirement to disclose the nature and probable financial effects of any non-compliance with externally imposed requirements in AAS 29 paragraph 12.6(e).

It should also be noted that whilst ED 10Y is consistent with current requirements in relation to disaggregated information, the AASB will be reviewing IPSAS 18 “Segment Reporting” with the intention of issuing a Standard on segment reporting applicable to entities such as government departments.

Date: 2 December 2002
Contact: Belinda Hutchinson
Email: belinda@pacificbridge.com.au

The information, opinions and advice in this briefing are of a general nature only and are not intended to be complete or definitive. Further advice should be obtained before taking action on any issue dealt with in this briefing.