

Treasurer's Instruction No	206
Title	Presentation of Annual Financial Statements
Effective date	1 July 2011
Objective and Background	To provide a model for the preparation of departmental financial statements
Last Reviewed Date	17 May 2011

This Instruction was previously known as Treasurer's Instruction No 709 - Presentation of Financial Statements.

Black letter (or bold) items within these Instructions are mandatory and other plain font items are instructional or for the purpose of providing guidance only.

BACKGROUND

Agency financial statements are a primary method of providing information for the public regarding the financial performance and position of an Agency. This Treasurer's Instruction seeks to ensure that agency financial statements are prepared under Australian Accounting Standards, are prepared consistently across all agencies and include additional disclosures where specific accountability considerations exist.

COMPLIANCE WITH AUSTRALIAN ACCOUNTING STANDARDS

(1) Agency financial statements must comply with Australian Accounting Standards and have regard to the Framework for the Preparation and Presentation of Financial Statements and *Statements of Accounting Concepts*.

(2) An Agency must consult with the Secretary before determining that the application of an Australian Accounting Standard will not result in the fair presentation of its financial statements.

AASB 101 *Presentation of Financial Statements* provides for additional disclosures in the notes to the financial statements where it is considered that application of Australian Accounting Standards does not result in the fair presentation of the financial statements.

It would be extremely unusual for the application of AAS not to result in fair presentation. If an agency considers that departure from AAS is necessary to achieve fair presentation, it must consult with Treasury.

(3) All agencies are designated as not-for-profit entities.

The Australian Accounting Standards (AASB 136 *Impairment of Assets*) define a not-for-profit entity as an entity whose principal objective is not the generation of profit. As the principal objective of an Agency is not the generation of profit, an Agency is a not-for-profit entity.

(4) Financial reports must be presented in Australian currency.

MODEL DEPARTMENTAL FINANCIAL STATEMENTS

The Model Departmental Financial Statements provide a template for the presentation and structure of agency general purpose financial statements. Compliance with the Model Statements ensures consistency of presentation of financial statements across agencies.

(5) An Agency must present its general purpose financial statements in accordance with the Model Statements, subject to paragraph (6) below.

(6) An Agency may vary from the Model Statements presentation in order to better reflect its operations, providing the variation does not:

(a) conflict with a requirement of the Australian Accounting Standards or a Treasurer's Instruction;

- (b) reduce the level of detail provided; or**
- (c) reduce consistency of presentation across agencies.**

Other variations from the Model Statements require an exemption from this Treasurer's Instruction.

In applying the Model Statements, an Agency may find that some disclosures are not required because it does not engage in some of the transactions disclosed in the Model Statements. Such disclosures may be removed from the Agency's financial statements without an exemption from this Treasurer's Instruction.

Disclosures in an Agency's financial statements providing additional information that is not contained in the Model Statements do not constitute a variation from the Model Statements.

The Model Statements are available from the Treasury Web site through the following link.

[Model Departmental Financial Statements](#) (incorporates cross references to Accounting Standards and Treasurer's Instructions) PDF

[Model Departmental Financial Statements](#) - M/S Word Template

Specific Presentation and Disclosure Requirements

The Model Statements incorporate certain specific presentation and disclosure requirements in addition to the requirements of AAS. These disclosures are in relation to transactions that are specific to government where AAS is silent and where accountability considerations call for additional information to be disclosed or where there are options available under AAS. The specific presentation and disclosure requirements are as follows:

Mandatory Presentation Format

Paragraph 99 of AASB 101 allows expenses to be classified based on either their nature or their function. The Model Statements present expenses in the Statement of Comprehensive Income by nature. Classification of expenses by nature provides more relevant and reliable information than classification by function.

Paragraph 60 of AASB 101 allows the presentation of amounts in the Statement of Financial Position in order of liquidity rather than based on current/non-current classifications. The Model Statements adopt a liquidity presentation because it better reflects the operational cycle of an Agency.

Presentation of Budget Estimates

The presentation of budget information on the face of the statements is mandatory. Presentation of budget information enhances accountability. Budget information must be based on original budget estimates as published in the Budget Papers for the relevant year.

The Model Statements disclose details for each Output Group (as defined in the Budget Papers for the relevant year), including:

- summarised revenues and expenses for each Output Group;
- total expenses for each Output within each Output Group;
- total assets deployed and total liabilities incurred for each Output Group, to the extent that they can be reliably attributed; and
- original budget estimates and prior year comparatives in relation to the above items.

Revenues and expenses in relation to Capital Investment Program and Special Capital Investment Funds projects must be presented in aggregate and included in an "Infrastructure Investment" category as part of the Output Group disclosure. The Capital Investment Program and the Special Capital Investment Funds are defined in the Budget Papers.

The Model Statements include a note disclosing details of cash outflows relating to Capital Investment Program and Special Capital Investment Funds projects, including:

- total cash outflows for each project;
- original estimates and prior year comparatives for the above cash flows; and
- the classification of total cash outflows in the Statement of Cash Flows.

Budget information disclosed on the face of the financial statements must include explanations of material variances between original budget estimates and actual outcomes.

Additional Disclosure Requirements

The following items must be displayed separately on the face of the Statement of Comprehensive Income:

- Revenue from Appropriations; and
- Revenue from Special Capital Investment Funds.

The Model Statements include a note disclosing details of revenue from Special Capital Investment Funds, where material, including a cross-reference to Output Group details and cash flow details.

The Model Statements disclose, as part of the schedule of commitments, the total value of commitments relating to Capital Investment Program and Special Capital Investment Funds projects.

The Model Statements disclose balances of individual Accounts within the Special Deposits and Trust Fund comprising the balance of cash and deposits held.

The Model Statements provide a description of any material transaction or balance where that transaction or balance is unusual or specific to government. Such transactions include, but are not limited to, loan advances and equity investments. The reason for holding an equity investment must be included in the description.

Location of Specific Disclosures

The schedules of administered income and expenses, assets and liabilities and cash flows are presented as the first note to the financial statements in the Model Statements.

The structure, format and content of notes to administered schedules of income and expenses, assets and liabilities and cash flows must be consistent with the structure, format and content of the notes to the controlled financial statements.

Details for each Output Group are presented immediately following the accounting policy notes to the financial statements (Note 3).