

**Information Paper**

**Accruals-based  
Government  
Finance Statistics**

**2000**



New  
Issue

**Information Paper**

**Accruals-based  
Government  
Finance Statistics**

**2000**

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AUSTRALIAN BUREAU OF STATISTICS  
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## PREFACE

On 19 February 1997, the ABS issued an Information Paper titled *Developments in Government Finance Statistics* (Cat. no. 5516.0) which foreshadowed the adoption of an accruals basis of recording government finance statistics (GFS). The first release of accrual GFS was expected to be in the 1999 issue of *Government Finance Statistics* (Cat. no. 5512.0), in respect of data for 1997–98. However, this did not occur as jurisdictions were at different stages in implementing accrual accounting in their public accounts and budget management systems.

The ABS now expects to publish the first experimental accrual-based GFS in the next *Government Financial Estimates* (Cat. no. 5501.0) in respect of data for 1998–99 and 1999–2000. As jurisdictions are at different stages in providing accrual data to the ABS in a format suitable for GFS purposes, the ABS is unable at this time to release the full range of data that are expected to be available in future GFS publications and special data services. The forthcoming issue of 5501.0 will therefore contain data for the general government sector only. Some data for the public non-financial, public financial and total public sectors will also be available on request.

It is intended that future publications will also include reconciliations of the GFS measures Net Operating Balance, Net Lending/Borrowing and Net Worth with those produced by each jurisdiction as required under Australian Accounting Standards (AAS), and those of the Australian System of National Accounts (ASNA) produced by the ABS. These reconciliations will be done so as to both maintain the integrity of, and user confidence in, each set of data and to show the links between them.

The present Information Paper has been prepared to help users of GFS understand the changed nature and presentation of the statistics. This paper outlines the conceptual changes to be reflected in government finance statistics and the changed format for the tables.

The ABS will also prepare a new edition of *Government Finance Statistics: Concepts, Sources and Methods* (Cat. no. 5514.0), which will contain detailed descriptions of the new concepts, classifications, data sources and methodology used in compiling the Australian GFS. This document is expected to be released in the latter half of 2000.

Users interested in more details of the issues discussed in this Information Paper should contact the ABS officers listed on page 26.

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13 March 2000

## **LIST OF ABBREVIATIONS**

AAS	Australian Accounting Standards
ABS	Australian Bureau of Statistics
ASNA	Australian System of National Accounts
BOP	Balance of Payments
BPM5	Balance of Payments Manual, Fifth Edition
ETF	Economic Type Framework
FALS	Financial assets and liabilities
GFE	Government financial estimates
GFS	Government finance statistics
GG	General government
GST	Goods and Services Tax
IMF	International Monetary Fund
NOB	Net Operating Balance
PFC	Public financial corporations
PNFC	Public non-financial corporations
SNA93	System of National Accounts, 1993
UPA	Uniform Presentation Agreement
UPF	Uniform Presentation Framework



## SUMMARY OF MAJOR CHANGES

Most of the changes to GFS which were discussed in a previous Information Paper titled *Developments in Government Finance Statistics* (Cat. no. 5516.0), released in February 1997, were implemented in the old cash-based statistics. These changes included the reclassification of central borrowing authorities from the general government sector to the public financial corporations sector, the extension of the scope of GFS to include other public financial corporations, the reclassification of public sector universities from each jurisdiction's general government sector to the multi-jurisdiction general government sector, and the treatment of state/territory tax-equivalent payments and receipts.

The most fundamental change (the adoption of an accrual accounting basis for recording general government finances) will be implemented in the next issue of *Government Financial Estimates* (Cat. no. 5501.0), to be released on 3 April 2000.

The major changes to GFS resulting from the adoption of accrual accounting principles are summarised below.

### NEW CONCEPTUAL FRAMEWORK

The new conceptual framework is in the form of an integrated statement of stocks and flows which is derived from the *System of National Accounts 1993* (SNA93). This differs significantly from the old cash-based framework which focused on selected stocks and flows. The new framework facilitates a more comprehensive assessment of the economic impact of government activity and the sustainability of fiscal policy. It also provides an improved basis for monitoring efficiency in the allocation and use of government resources. A number of new analytical balances will be compiled, as described below.

### New analytical balances

The new analytical balances are the Net Operating Balance (NOB), GFS Net Lending(+)/Borrowing(-), GFS Net Worth, Increase in GFS Net Worth, and the Surplus(+)/Deficit(-).

Net Operating Balance is calculated as GFS revenues minus GFS expenses; it is equivalent to the Increase in Net Worth arising from *transactions* as defined in section 3.

Net Lending/Borrowing is derived by subtracting the net acquisition of non-financial assets (gross fixed capital formation less depreciation plus changes in inventories and other transactions in non-financial assets) from GFS Net Operating Balance. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

Net Worth, a stock measure, is the difference between assets (financial and non-financial) and liabilities plus shares and other contributed capital, while Increase in Net Worth is the difference between Net Worth at the end of the current period less Net Worth at the end of the previous period. Increase in Net Worth (due to transactions) is also equal to the Net Operating Balance.

New analytical balances  
*continued*

Surplus(+)/Deficit(-) is similar in concept to the previous cash-based measure but uses a different sign convention, i.e. a positive sign now indicates a surplus. It is also no longer directly comparable to the old measure because of changes in some jurisdictions' methodologies and data sources. The Surplus(+)/Deficit(-) is derived as the net cash flows from operating activities and investments in non-financial assets less distributions paid and acquisitions of assets under finance leases.

GFS classifications

The adoption of a new conceptual framework has required changes to most of the classifications used in the compilation of GFS. These changes are outlined below:

- *Economic Type Framework (ETF)*—This is the main classification of stocks and flows. It is structured as an input classification, unlike the previous classification which was output oriented and focused on outlays, revenues and financing transactions. The new ETF resembles a set of financial accounting statements with sections for the operating statement, cash flow statement and balance sheet. In addition, there are sections to cater for the reconciliation of accounting net operating result with cash flows from operating activities and to capture items such as acquisitions of assets under finance leases, intra-unit transfers, and revaluations and other changes in the volume of assets.
- *Taxes Classification*—The new Taxes Classification is virtually the same as the previous Taxes, Fees and Fines Classification except that the fees and fines group has been removed because, as recommended by the SNA93, they are now classified as user charges (in the case of fees) and as other current revenue (in the case of fines). As from 1 July 2000, a new classification category for the Goods and Services Tax (GST) will be introduced. Appendix 1 outlines the ABS treatment of GST revenues in GFS as a tax of the Commonwealth Government.
- *Source/Destination Classification*—The new Source/Destination Classification has been expanded and now includes categories for resident private sector institutional units (private non-financial and financial corporations, households, non-profit institutions serving households (NPISHs)) and non-resident institutional units.
- *Institutional Sector Classification*—The previous Institutional Sector Classification has been expanded to incorporate public sector financial corporations.
- *Type of Asset Classification*—This is a new classification which replaces the former Fixed Asset Classification. The Type of Asset Classification incorporates the SNA93 distinction between produced (tangible and intangible) and non-produced (tangible and intangible) assets.
- *Government Purpose Classification*—The Government Purpose Classification remains unchanged.

## OTHER CHANGES

### Break in GFS time series

The ABS's original strategy was to bridge between the previous predominantly cash-based GFS series and the new accrual series by presenting the historical series from 1961–62 on an approximate accrual basis. This series was to have been based on the cash statistics with some adjustments to general government data mainly relating to depreciation provisions, accrued superannuation expenses and other accrual adjustment items where possible. Because of concerns about the quality of the derived series, and after consultation with the Treasuries of all jurisdictions, the ABS has decided not to release the derived historical series. The accrual GFS time series will therefore begin in respect of data for 1998–99.

To compile an accrual historical or back series the ABS could, with the collaboration of Treasuries, source the data from the AAS 31 (Australian Accounting Standard 31: Financial Reporting by Governments) financial statements which a number of jurisdictions have released for varying time periods prior to 1998–99. The ABS has indicated to Treasuries that provided they supply their available accrual unit level data coded using GFS classifications and provided the relevant jurisdictions and the ABS are satisfied with the quality of the resultant series, it will be prepared to make these available as 'official' ABS series.

### Integration of FALS

The Financial Assets and Liabilities (FALS) collection presented data on selected financial assets and liabilities of Australian governments. This partial balance sheet collection has been discontinued as it now forms a subset of the full GFS balance sheet that will be collected for the accrual GFS. However, in order to provide a measure of continuity in the switch-over to accrual GFS, the *Net Debt* information will still be available and the series will continue to be published for the time being.

### Consolidation methodology

The GFS consolidation methodology will remain largely unchanged. However, with the implementation of accrual GFS many more items will be subject to consolidation.

### RECONCILIATIONS BETWEEN GFS, ASNA AND AAS 31

A number of items are treated differently under GFS, ASNA and AAS 31. GFS and ASNA are frameworks designed to facilitate macro-economic analysis, while the public sector accounting standards are aimed at producing general purpose financial statements on a similar basis to private sector entities to provide an overview of government performance, financial position, and financing and investing activities. The differences in objectives between GFS and ASNA on the one hand and AAS 31 on the other can result in significant differences between corresponding analytical balances such as the net operating balance (or result) and net lending/borrowing. The ABS intends to prepare reconciliations between GFS, ASNA and accounting measures to both explain the differences between them to users and to maintain user confidence in the data produced by each system.



## SECTION 1

### INTRODUCTION

**1.1** With the release of the 1999–2000 issue of *Government Financial Estimates* (Cat. no. 5501.0), the ABS will implement major changes to government finance statistics resulting from the adoption of an accrual accounting basis. The change in the accounting basis from a predominantly cash to an accrual basis is fundamental and its major effects are reflected by a shift in focus from analytical measures such as the ‘Deficit’ to ‘Net Operating Balance’, ‘Net Lending/Borrowing’ and ‘Increase in Net Worth’. Underlying this shift in analytic focus will be a revised GFS conceptual framework and related GFS classifications.

**1.2** The change in the GFS recording basis has been driven both by the adoption of accrual accounting for the general government sector by Australian governments and the need to align the Australian GFS to revised international statistical standards. Over recent years, Australian governments have progressively introduced various Australian Accounting Standards that have required the adoption of an accrual basis and introduced (in AAS 31) the concept of reporting for the whole of government to give an overview of each government’s financial performance. The relevant accounting standards are:

- *Australian Accounting Standard 27 (AAS 27): Financial Reporting by Local Governments*
- *Australian Accounting Standard 29 (AAS 29): Financial Reporting by Government Departments*
- *Australian Accounting Standard 31 (AAS 31): Financial Reporting by Governments*

**1.3** Section 2 discusses the revised international statistical standards. The relevant standards are the *System of National Accounts 1993* and the IMF’s *A Manual on Government Finance Statistics*, which is currently being revised.

**1.4** Section 3 discusses the new conceptual framework including the new analytical balances (Net Operating Balance, Net Lending/Borrowing, Net Worth, Increase in Net Worth, Surplus/Deficit) and the main statements (Operating Statement, Statement of Stocks and Flows, Balance Sheet, Cash Flow Statement).

**1.5** Section 4 explains the impact of the changes, with emphasis on the impact on the GFS time series.

**1.6** Section 5 discusses the redesign of ABS GFS publications. The new output table formats are set out in appendix 2 to this Information Paper.

**1.7** Section 6 discusses the reconciliations between GFS, ASNA and AAS 31 analytical balances.

**1.8** Information on the availability of GFS tables and ABS contacts for further information are to be found in section 7.

## SECTION 2

## INTERNATIONAL STATISTICAL STANDARDS

**2.1** International statistical standards play a significant role in the compilation of statistics by the ABS and statistical agencies in other countries. These standards are developed by the United Nations, International Monetary Fund (IMF) and other international organisations. The standards may focus at a macro-economic level, as in the *System of National Accounts*, or on selected statistics such as the balance of payments and government finance statistics.

**2.2** The use of principles reflected in international statistical standards ensures that statistics produced by the ABS are comparable with those of other countries also using the standards. It also enables the ABS to fulfill reporting requirements by providing statistics to international agencies on the required basis.

**2.3** The *System of National Accounts 1993* (SNA93), produced jointly by the United Nations, IMF, World Bank, Commission of the European Communities and the Organisation for Economic Co-operation and Development, plays a pivotal role in the compilation of economic data by the ABS. It serves as an integrating framework for the collection and compilation of economic data for all sectors of the economy.

**2.4** SNA93 provides a comprehensive framework for the compilation of economic data in a format designed to facilitate macro-economic analysis, decision taking and policy making. It has been adopted by the ABS as the conceptual basis for compiling the Australian System of National Accounts (ASNA). The integrating nature of the standard also provides the ABS with a framework for improving the quality and consistency of data feeding into ASNA from different collection sources.

**2.5** Following the release of SNA93, a number of other statistical standards with more in-depth focus on selected statistics have either been revised or are currently in the process of being revised. A fifth edition of the *Balance of Payments Manual* (BPM5), produced by the IMF, was published in 1993. It represents a revision to the fourth edition which was published in 1977. The IMF is currently drafting the *Manual on Monetary and Financial Statistics* to replace the *Guide to Money and Banking Statistics*, issued in 1985, and redrafting its *Manual on Government Finance Statistics*, issued in 1986.

**2.6** The IMF's current guidelines on government finance statistics, *A Manual on Government Finance Statistics* (1986 edition) outlines a cash-based analytical and statistical framework for the compilation of government finance statistics. It provides guidelines and discussion on coverage, selection and preparation of data, analysis, classification and relationships with other data systems.

SYSTEM OF NATIONAL  
ACCOUNTS

CURRENT IMF MANUAL ON  
GOVERNMENT FINANCE  
STATISTICS

**2.7** The Manual is being revised to an accrual basis of recording and to harmonise with SNA93 in other respects. This means that concepts that are common to both the system of national accounts and government finance statistics are defined in the same way. Where concepts are not common, they can be uniquely defined and applied in their respective systems; however, a well-harmonised system would ensure that links are established at appropriate levels so that inter-relationships are known.

**2.8** The IMF commenced its revision of the *Manual on Government Finance Statistics* in March 1995 with the distribution of an *Issues Note* identifying the major items to be considered in the revision. This was followed in August 1996 with the release of *GFS: An Annotated Outline* for comment. The annotated outline proposed a specific structure and content for the revised manual. In the light of comments received, the IMF has modified the structure of the proposed manual and, at the time of writing, has released some draft chapters for comment.

**2.9** A final version of the revised manual is not expected to be available for quite some time as the process of revising international standards involves lengthy consultations between technical experts in international and national agencies.

## SECTION 3

### NEW GFS CONCEPTUAL FRAMEWORK

**3.1** The ABS's revised accrual GFS is based on a new conceptual framework derived from the *System of National Accounts 1993*. The new GFS framework is harmonised with the SNA93 to the extent possible.

Harmonisation in this context means that the same concepts and definitions are used in the two systems or, when different concepts are used, that the relationships between them are known so that it is possible to link one to the other.

**3.2** Whilst the new framework has been derived from SNA93, it also reflects the needs of fiscal analysts and other technical users who may be interested in an analysis of government operations. Such operations tend to be somewhat different from the market-oriented sectors of the economy, for example, in respect of taxation and regulatory functions of governments.

**3.3** Only those aspects of the revised conceptual framework that are necessary for a broad understanding of the subject-matter have been included in this Information Paper. A more extensive coverage will be included in a comprehensive concepts, sources and methods manual which the ABS expects to release in late 2000.

**3.4** Readers are especially requested to note that the first GFS publication on the revised basis, *Government Financial Estimates* (Cat. no. 5501.0), expected to be released on 3 April 2000, will only contain a limited subset of the information implied by the description of the framework below. Australian governments are at various stages in their implementation of accrual accounting and the detail required for the full framework will not be available consistently across all jurisdictions at the time of publication. For a description of the output which will be available in the forthcoming Cat. No. 5501.0, please refer to section 5.

#### AN OVERVIEW

##### Stocks and flows

**3.5** The central feature of the new conceptual framework is that it is based on an integrated recording of *stocks* and *flows*. Stocks refer to the holdings of assets and liabilities, at a point in time, valued at market prices prevailing at that time. Flows, on the other hand, are economic events and other occurrences that cause changes in the value of stocks through the creation, transformation, exchange, transfer or extinction of value, recorded in the relevant period on an accrual basis. Thus, the stock of assets and liabilities recorded at the beginning of a period change, as a result of flows over the period, to a new level of stocks at the end of the period. Stocks are therefore a 'point in time' concept while flows relate to a 'period of time'.

##### Time of recording

**3.6** In the revised framework, flows are recorded on an accrual basis, that is, they are recorded at the time economic value is created, transformed, exchanged, transferred, or extinguished. In other words, flows are recorded in the period in which the economic events occur, irrespective of whether there were associated cash flows or not.



Classification of stocks

**3.7** Stocks are classified into assets and liabilities which, in turn, are further classified into a number of finer categories according to their detailed nature and type. Assets, for example, are classified into financial and non-financial, and the latter are further classified as produced assets, i.e. assets which have come into existence as a result of production and have therefore impacted on the Gross Domestic Product, and as non-produced assets. Liabilities are classified into deposits held, advances received, borrowing, superannuation, other employee liabilities and other liabilities. Shares and other contributed capital of public corporations are grouped with liabilities in the framework.

Classification of flows

**3.8** Flows, too, are classified on the basis of their economic characteristics into *transaction flows* and *other flows*. Other flows are further classified into *revaluations* and *other changes in the volume of assets*.

**3.9** In essence, *transactions* represent changes to stocks that come about as a result of mutually agreed interactions between institutional units, for example, the sale of a good or service by one unit and its purchase by another. The framework also includes as transactions items such as depreciation that do not involve interaction with other institutional units. The recording of such 'internal' transactions recognises that an institutional unit can act in two capacities of economic interest. For example, by recording depreciation, there is recognition that the unit is both the owner of a fixed asset and the consumer of the services provided by that asset.

**3.10** Despite their compulsory nature, taxes are considered to be transactions as they are deemed to occur, for the purposes of this framework, by mutual agreement between the government and the taxpayer.

**3.11** *Other flows* represent changes to stocks that come about *not* as a result of transactions. More specifically, *revaluations* (which are also sometimes referred to as holding gains and losses) represent changes to stocks that arise from price movements, including exchange rate movements. *Other changes in the volume of assets* relate to changes to stocks arising from events such as discoveries of new assets (e.g. mineral deposits) and depletion or destruction of existing assets.

Integration of stocks and flows

**3.12** As the value of stocks at the beginning of a period (the opening balance sheet) can only change through the cumulative effect of flows, to a new value at the end of the period (the closing balance sheet), the new conceptual framework is said to be fully integrated.

The new framework—a schematic view

**3.13** A schematic presentation of the new conceptual framework is provided in diagram 3.1 which highlights the integrated relationship between stocks and flows.

**Diagram 3.1 – GFS Integrated Statement of Stocks and Flows (outline)**

	Stocks	Flows			Stocks
	Opening Balance Sheet \$	Trans- action Flows \$	Other Flows		Closing Balance Sheet \$
			Revalu- ations \$	Other Changes in Volume of Assets \$	
GFS Revenues (1) ..... GFS Expenses (2) .....					
<i>GFS Net Worth (3) = (4-7-8)</i>		GFS NOB=(1-2) = Change in Net Worth due to transactions	Change in Net Worth due to revaluations	Change in Net Worth due to Other Changes in Volume of Assets	
Assets (4) Non-financial Assets (5) .....					
<i>GFS Net Lending(+)/ Borrowing(-) = (1-2-5) = (6-7-8)</i>		GFS Net Lending(+)/ Borrowing(-) = (1-2-5) = (6-7-8)			
Financial Assets (6) ..... Liabilities (7) ..... Shares and other contributed capital* (8)					

Notes:

No items are logically classifiable to the shaded areas.

\* This item is zero for the general government sector.

Net Worth and the Net  
Operating Balance

**3.14** By breaking down the total assets and total liabilities into their constituents and establishing the changes in them from one period to another in terms of transactions and other flows as defined above, the framework provides a strong statistical explanation of the factors causing the change in the Net Worth of government. The total change in Net Worth may occur either as a result of transactions or as a result of other flows or, as would be the case most often, a combination of the two.

Net Worth and the Net  
Operating Balance  
*continued*

**3.15** The change in the Net Worth of government due to transactions may be established by calculating the movements (due to transactions) in assets and liabilities. It may also be established by calculating the Net Operating Balance which is the excess of revenues over expenses (again, due to transactions). The change in Net Worth due to transactions is conceptually equivalent to the Net Operating Balance of government. It may be said that the Net Operating Balance focuses on the ‘activity’ side (by considering transactions in revenues and expenses) whereas the Net Worth focuses on the ‘financing’ side (by considering transactions in financial assets and liabilities which change Net Worth).

**3.16** It should be noted that the Net Operating Balance (and the equivalent change in Net Worth due to transactions) as defined here excludes gains and losses resulting from changes in price levels, including interest and exchange rate movements. That component of the change in Net Worth which is due to transactions can be attributed directly to government policies since governments have control over their transactions in both revenues and expenses. The same however cannot be said for the other component of the total change in Net Worth as Australian governments do not control prices directly as such.

## THE MAIN STATEMENTS

**3.17** The conceptual framework, as represented by diagram 3.1, is physically too large and unwieldy for normal publication purposes, especially if each of the major aggregates of revenues, expenses, assets, etc is to be included at its most detailed level of classification. It is expedient therefore to divide the framework into a number of separate statements, each of which focuses on analytical aggregates or balances of particular user attention. These statements are the Operating Statement, Statement of Stocks and Flows, Balance Sheet and the Cash Flow Statement. A brief description of the structure of these statements is provided below.

## Operating Statement

**3.18** The Operating Statement presents details of transactions in GFS revenues, GFS expenses and the net acquisition of non-financial assets. In a broad conceptual sense, GFS revenues are defined as transactions that increase net worth and GFS expenses as transactions that decrease net worth. Whilst this definition applies at a broad conceptual level, in practice it is quite possible to have some revenue items, such as the sale by a government hospital of medication at below cost, that actually decrease net worth. Net acquisition of non-financial assets equals gross fixed capital formation, less depreciation, plus changes in inventories and other transactions in non-financial assets. An outline of the Operating Statement and the main relationships within it are provided in diagram 3.2.

**Diagram 3.2 – GFS Operating Statement (outline)**

	Transactions only (excludes Revaluations and Other Changes in Volume of Assets)  \$
GFS Revenues ..... less GFS Expenses .....	
<i>equals</i> GFS Net Operating Balance	
<i>less</i> Net acquisition of non-financial assets .....	
<i>equals</i> GFS Net Lending(+)/Borrowing(-)	

**3.19** Two important analytical balances are derived in the Operating Statement. Transactions in revenues less transactions in expenses equals the *Net Operating Balance*. The subsequent deduction of transactions in the net acquisition of non-financial assets results in the *GFS Net Lending(+)/Borrowing(-)*, which is also equal to the net result of transactions in financial assets and liabilities.

**3.20** The Net Operating Balance is a summary measure of the on-going sustainability of government operations. It is conceptually intended to be equivalent to the national accounting concept of *Savings plus Capital Transfers*, but in practice a reconciliation to the ASNA measure will be required to account for some differences in methodology and valuation used in the Australian GFS.

**3.21** Net Lending(+)/Borrowing(-) is a summary measure which in essence indicates the extent to which government is either putting financial resources at the disposal of other sectors in the economy or utilising the financial resources generated by other sectors. It may therefore be viewed as an indicator of the financial impact of government activity on the rest of the economy. It is conceptually equivalent to the national accounting concept of Net Lending, but in practice GFS Net Lending(+)/Borrowing(-) will differ due to the different treatment and valuation of some component items.

Statement of Stocks and Flows

**3.22** The Statement of Stocks and Flows shows the opening balances of assets and liabilities, the related flows during the reporting period and the closing balances. The preferred valuation basis for all stocks and flows is current market prices. Where current market prices are not observable, a best indicator (such as net present value) should be used. Furthermore, where assets or liabilities that are not regularly measured at current values are to be disposed of, they need to be revalued just prior to their disposal and the revaluation recorded in the Statement of Stocks and Flows, not as a gain (revenue) or loss (expense) in the GFS Operating Statement. An outline of the Statement of Stocks and Flows and the relationships within it are provided in diagram 3.3.

**Diagram 3.3 – Statement of Stocks and Flows (outline)**

	Stocks	Flows		Stocks	
	Opening Balance Sheet \$	Trans-action Flows \$	Other Flows		Closing Balance Sheet \$
			Revalu-ations \$	Other Changes in Volume of Assets \$	
Assets (1) Non-financial Assets .... Financial Assets ....					
Liabilities (2) ....					
Shares and other contributed capital* (3)					
<i>GFS Net Worth (1–2–3)</i>					

Notes:

\* This item is zero for the general government sector.

**ASSETS**

**3.23** Assets represent instruments or entities over which ownership rights are enforced by institutional units and from which economic benefits may be derived by holding them, or using them, over a period of time. Assets are distinguished between non-financial and financial.

**LIABILITIES**

**3.24** Liabilities represent obligations to provide economic value to other institutional units. The classification of liabilities and financial assets needs to be symmetrical for consolidation purposes.

Statement of Stocks and  
Flows *continued*

**GFS NET WORTH**

**3.25** GFS Net Worth is defined as assets less liabilities less shares and other contributed capital. For the general government sector, Net Worth is simply assets less liabilities since shares and other contributed capital are zero. For listed public corporations, shares and other contributed capital are recorded at current market values and for those which are unlisted, it is set equal to the value of assets less liabilities. The GFS Net Worth for unlisted public corporations is therefore zero.

Balance Sheet

**3.26** The Balance Sheet shows assets, liabilities and GFS Net Worth similar to the presentation in the first and last columns of diagram 3.3. However, it brings together into a single statement data for several years to provide an analytical time series.

Cash Flow Statement

**3.27** The Cash Flow Statement identifies how cash is generated and applied. Cash is classified as arising from operating, investing and financing activities of government. An outline of the Cash Flow Statement is provided in diagram 3.4.

**Diagram 3.4 – Cash Flow Statement (outline)**

	\$
Net cash flows from operating activities	
Net cash flows from investments in non-financial assets	
Net cash flows from investments in financial assets for policy purposes	
Net cash flows from investments in financial assets for liquidity management purposes	
Net cash flows from financing activities	
<i>Net Increase/Decrease in Cash Held</i>	
<i>Surplus(+)/Deficit(-)*</i>	

Notes:

\* The Surplus/Deficit is not structurally part of the Cash Flow Statement. As it is derived mainly from data items in this statement, it has been included here as supplementary information for analytical purposes.

**3.28** Cash held refers to cash on hand and cash equivalents. Cash on hand refers to notes and coins held, and deposits held at call with a bank or financial institution. Cash equivalents are highly liquid investments which are readily convertible to cash on hand at the investor's option and overdrafts considered integral to the cash management function.

Cash Flow Statement  
*continued*

**3.29** Unlike the Operating Statement, the Cash Flow Statement reflects a cash basis of recording where the information has been derived indirectly by accounting units from underlying accrued transactions and movements in balances. This in effect means that transactions are captured when cash is received or when cash payments are made. Such cash transactions have been included because it allows the compilation of the cash-based *Surplus(+)/Deficit(-)* and because the management of cash is often considered an integral function of accrual accounting.

**3.30** The two main analytical balances measures in the Cash Flow Statement are the *Net Increase/Decrease in Cash Held* which is a summation of net cash from operating, investing and financing activities and the *Surplus(+)/Deficit(-)* which is calculated as follows:

Net cash flows from operating activities  
*plus* Net cash flows from investments in non-financial assets  
*less* Distributions paid  
*less* Acquisitions of assets acquired under finance leases and  
similar arrangements  
*equals* Surplus(+)/Deficit(-)

BREAK IN TIME SERIES

**3.31** The above definition of the Surplus(+)/Deficit(-) is the same as that used prior to the changeover to accrual accounting and maintains, as far as possible, a consistent time series. However, users should note that the move to an accrual basis of recording has required a change in some jurisdictions' data sources and methodologies from 1998-99 onwards. Therefore, the Surplus(+)/Deficit(-) series from 1998-99 will no longer be directly comparable to the 'deficit' series previously published in GFS publications. There is also a change in the sign convention which now shows a surplus as a positive value.

A NOTE ON TERMINOLOGY

**3.32** Readers may find that the terminology used in the revised GFS in some instances appears to be similar to that in general purpose financial statements produced under Australian Accounting Standards by jurisdictions. As the statistical treatment in GFS can in some instances be quite different, the prefix 'GFS' has been used in the names of some GFS items to avoid possible confusion. Section 6 outlines the reconciliations required to account for differences between the statistical and accounting treatment of items.

## SECTION 4

### IMPACT OF CHANGES

**4.1** The move from cash based GFS to accrual GFS will have a significant impact on the statistical time series presented in ABS publications. This section describes how the change in accounting basis will affect the nature of published GFS time series. Firstly, it describes the broad methodology used to compile both cash based GFS and accrual GFS. Next, it outlines the differences between the two. Finally, this section describes how the change in methodology impacts on the GFS time series.

#### CASH BASED GFS

**4.2** The cash based GFS was compiled on the basis of SNA (1968 edition) and the IMF's *A Manual on Government Finance Statistics* (1986 edition). The 1986 IMF standard recommends that a cash basis of accounting should be adopted for the general government sector as, historically, most governments have recorded their public accounts on a cash basis. It also recommends that an accruals basis of accounting should be adopted for public non-financial corporations as these entities engage in market operations and their activities are best recorded on a commercial accounting basis. In consolidating the two sectors, information for public non-financial corporations should be adjusted to an approximate cash basis.

**4.3** The broad methodology employed by the ABS to produce cash based GFS consisted of compiling:

- general government data, including the Deficit/Surplus, on a cash basis;
- public non-financial corporations data on an accrual basis, with the Deficit/Surplus on an approximate cash basis; and,
- the Deficit/Surplus for the consolidated non-financial sector on an approximate cash basis.

**4.4** A limited number of adjustments were made by the ABS to convert accrual data to an approximate cash basis in the process of compiling the consolidated information for the non-financial public sector. These adjustments mostly related to income transfers, direct taxes, subsidies and provisions.

**4.5** The Deficit/Surplus was calculated by subtracting revenues and increase in provisions from outlays. Increase in provisions is an accrual item, representing internally generated funding, and as such was excluded from financing in the calculation of a Deficit/Surplus measure. However, because of poor data quality, adjustments for other accrual items such as changes in trade payables and receivables were not included in the calculation of this measure. Therefore, the accrual data was converted to an approximate cash basis rather than a strict cash basis. A Deficit/Surplus series compiled on this methodological basis is available for the period 1961–62 to 1997–98.



## ACCRUAL GFS

**4.6** In recent times, most governments have shifted from cash to accrual reporting which has enabled them to determine the real cost of their operations. This shift has supported the introduction of an accrual based system for GFS, with major non-cash items such as consumption of fixed capital and unfunded superannuation being included in the cost of government operations.

**4.7** Under the revised GFS system, data for the general government, public non-financial corporations and public financial corporations sectors are compiled on an accruals basis within the framework of an operating statement and a balance sheet. Cash data for these sectors are also compiled from accompanying cash flow statements. Key economic measures derived in accrual GFS include the Net Operating Balance and Net Lending/Borrowing from the operating statement, Increase in Net Worth from the balance sheet and the Surplus/Deficit from the cash flow statement.

## DIFFERENCES BETWEEN CASH BASED GFS AND ACCRUAL GFS

**4.8** Table 4.1 summarises the main differences for each GFS sector between cash GFS and accrual GFS.

### 4.1 MAIN DIFFERENCES BETWEEN CASH BASED GFS AND ACCRUAL GFS

<i>GFS sector</i>	<i>Cash based GFS</i>	<i>Accrual GFS</i>	<i>Main differences</i>
General government	Outlays and revenues compiled on a cash basis. Deficit(+)/surplus(-) compiled on a cash basis. Partial balance sheet (selected financial assets and liabilities).	Revenues and expenses compiled on an accrual basis. Surplus(+)/deficit(-) compiled on a cash basis from the cash flow statement. Full balance sheet.	Change in accounting basis from cash to accrual. Change in sign convention. Change to full balance sheet (includes non-financial assets).
Public non-financial corporations	Outlays and revenues compiled on an accrual basis. Deficit(+)/surplus(-) compiled on an approximate cash basis. Partial balance sheet (selected financial assets and liabilities).	Revenues and expenses compiled on an accrual basis. Surplus(+)/deficit(-) compiled on a cash basis from the cash flow statement. Full balance sheet	No change in the accounting basis of revenues and expenses. Change from an approximate cash to a cash basis. Change in sign convention. Change to full balance sheet (includes non-financial assets).
Public financial corporations	Outlays and revenues compiled on an accrual basis. Deficit(+)/surplus(-) compiled on an approximate cash basis. Partial balance sheet (selected financial assets and liabilities).	Revenues and expenses compiled on an accrual basis. Surplus(+)/deficit(-) compiled on a cash basis from the cash flow statement. Full balance sheet.	No change in the accounting basis of revenues and expenses. Change from an approximate cash to a cash basis. Change in sign convention. Change to full balance sheet (includes non-financial assets).

IMPACT ON STATISTICAL  
TIME SERIES

**4.9** The move from cash based GFS to accrual GFS will have a significant impact on the statistical time series presented in ABS publications. Most significant is the introduction of an accrual GFS time series from 1998–99 with the key aggregates being the Net Operating Balance, Net Lending/Borrowing and Increase in Net Worth.

**4.10** To provide users with some measure of continuity, a Surplus/Deficit series will be retained. However, users need to take into account the break in series. Cash data prior to 1998–99 are not directly comparable with data for 1998–99 onwards due to the different method of compilation and different data sources adopted by some jurisdictions. The ABS has not established a quantitative measure of this break in series because the existing data sources do not permit this.

**4.11** It should be noted that a Net Debt series will still be available with no break due to the change in accounting basis. The method of compilation will remain the same as it was for the previous FALS series.

## SECTION 5

### ABS GFS PUBLICATIONS

**5.1** With the move to accruals GFS, the ABS will release redesigned GFS publications. The format of these publications will reflect the shift in the analytical focus of GFS from the Deficit/Surplus and Net Debt under the cash based system to Net Operating Balance, Net Lending/Borrowing, Net Worth and Surplus/Deficit under the accrual system.

**5.2** This section outlines the structure of GFS publications presented on an accrual basis and describes the full range of data that is expected to be available either in future GFS publications or as special data services. However, due to timing constraints and data availability, the inaugural accrual *Government Financial Estimates* (GFE) 1999–2000 will not include this full range of data. This section also describes the subset of the data that will be available in GFE 1999–2000.

**5.3** Generic examples of the new table formats for GFS publications are set out in appendix 2; however, as noted above, only a subset of the full range of accrual GFS data will be available in GFE 1999–2000.

#### FUTURE GFS PUBLICATIONS

**5.4** The timing of publications to date (November for *Government Financial Estimates* (Cat. no. 5501.0) and May for *Government Finance Statistics* (Cat. no. 5512.0)) has largely been driven by the delivery of budgets by the Commonwealth and each State/Territory government, the Uniform Presentation Agreement (UPA) promulgated in 1991, and the availability of final audited data. This arrangement saw the ABS publishing Cat. no. 5501.0 some 6–8 weeks after the last budget (usually November) and Cat. no. 5512.0 in May of the following year. With the move to accruals and the presentation of early budgets (April/May) by most jurisdictions, the ABS is re-examining the timing of the release of these publications.

**5.5** In the future, the ABS expects to publish Cat. no. 5501.0, based on budget data, in August and follow up in March of the following year with Cat. no. 5512.0, based on final audited data. However, this timetable will only be feasible if all jurisdictions move to early budgets.

**5.6** GFS publications will present statistics for the Commonwealth, State (including the Territories) and local governments, their public non-financial corporations and their public financial corporations. Universities will be included as general government units in a separate multi-jurisdictional sector.

**5.7** Data for the relevant time periods will be presented in the format of operating statements, cash flow statements, balance sheets and statements of stocks and flows. Key GFS accrual measures such as the Net Operating Balance and Net Lending/Borrowing will be provided as the principal analytical balances in each operating statement. Net Worth and Increase in Net Worth will be included in each balance sheet and statement of stocks and flows. A cash-based Surplus/Deficit will also be derived as an extension to each cash flow statement. In addition, Net Debt will be included as a memorandum item in each balance sheet.

**5.8** A number of reconciliation statements, firstly between GFS and AAS 31 and secondly between GFS and ASNA, will be included in GFS publications to explain to users any differences in published key measures due to the different treatment of component items in each set of data. Descriptions of these reconciliation statements are in section 6.

**5.9** Table 5.1 below outlines the structure of accrual GFS publications and summarises the data that are expected to be available under the accrual GFS system when it has been fully implemented.

**5.1 DATA AVAILABILITY UNDER AN ACCRUAL GFS SYSTEM WHEN FULLY IMPLEMENTED**

Data	Operating Statement	Cash Flow Statement	Balance Sheet	Statement of Stocks and Flows	Reconciliations to AAS 31 and ASNA(a)
General government					
1962 to 1998	No(b)	Yes(c)	No(d)	No(b)	No
1999 onwards	Yes	Yes	Yes	Yes	Yes
Public non-financial corporations					
1962 to 1998	No(b)	Yes(c)	No(d)	No(b)	No
1999 onwards	Yes	Yes	Yes	Yes	Yes
Public financial corporations					
1962 to 1998	No(b)	Yes(c)	No(d)	No(b)	No
1999 onwards	Yes	Yes	Yes	Yes	Yes
Consolidated					
1962 to 1998	No(b)	Yes(c)	No(d)	No(b)	No
1999 onwards	Yes	Yes	Yes	Yes	Yes
Data classified by Government Purpose					
1962 to 1998	No	No	na	na	na
1999 onwards	Yes	No	na	na	na

(a) These reconciliations are expected to lag by one year.

(b) An accrual back series for some jurisdictions may be available.

(c) The break in the surplus/deficit series will be footnoted.

(d) Selected financial assets, liabilities and net debt will be available for the period 1988 to 1998. An accrual back series for the full balance sheet for some jurisdictions may be available.

na not available.

**5.10** *Government Financial Estimates, 1999–2000* (Cat. no. 5501.0), to be published on 3 April 2000, should be viewed as a ‘transitional’ publication. For the reasons provided below, it will not include the full set of accrual GFS data that will be available in subsequent editions. It will not include full balance sheet data for back years or any reconciliations between key GFS and AAS 31 measures. Table 5.2 below outlines the data that will be presented in the April 2000 edition. It should be noted that accrual data relating to the Tasmanian general government sector will be estimated as this jurisdiction has not yet adopted accrual reporting. Accrual data for the Northern Territory general government sector will also include some estimation.

**5.11** GFE 1999–2000 will not include an accrual GFS back series prior to 1998–99. However, accrual statistics for years earlier than 1998–99 will be published in future GFEs for those jurisdictions where accrual data are available and have been provided to the ABS in a format suitable for GFS purposes. Only balance sheet data at 30 June 1999 will be included in GFE 1999–2000 as balance sheet data at 30 June 2000, prepared on a comparable basis to 30 June 1999, will not be available for most jurisdictions.

**5.12** Reconciliations between GFS and AAS 31 measures will not be included in GFE 1999–2000. It is the intention of the ABS to reconcile GFS measures with AAS 31 measures only where the measures have been published by the respective jurisdiction as part of AAS 31 reports or budget documents. Given the April 2000 timing of this GFE and the fact that in some cases the 1998–99 data will be preliminary and unaudited for which the corresponding AAS 31 statements will not have been published, reconciliations will not be included in this edition.

**5.2 DATA TO BE PUBLISHED IN GOVERNMENT FINANCIAL ESTIMATES, 1999–2000 OR RELEASED AS A SPECIAL DATA SERVICE(a)**

<i>Data</i>	<i>Operating Statement</i>	<i>Cash Flow Statement</i>	<i>Balance Sheet</i>	<i>Statement of Stocks and Flows</i>	<i>Reconciliations to AAS 31 and ASNA</i>
General government					
1995 to 1998	No	Yes(b)	No(c)	No	No
1998–1999	Yes	Yes	Yes	No	No
1999–2000	Yes	Yes	No	No	No
Public non-financial corporations					
1995 to 1998	No	Yes(b)	No(c)	No	No
1998–1999	Yes	Yes	Yes	No	No
1999–2000	Yes	Yes	No	No	No
Public financial corporations					
1995 to 1998	No	Yes(b)	No(c)	No	No
1998–1999	Yes	Yes	Yes	No	No
1999–2000	No	No	No	No	No
Consolidated					
1995 to 1998	No	Yes(b)	No(c)	No	No
1998–1999	Yes	Yes	Yes	No	No
1999–2000	No	No	No	No	No
Data classified by Government Purpose	No	No	na	na	na

(a) Data for public non-financial and financial corporations will only be available for some jurisdictions as special data services. The full set of accrual GFS data for 1999–2000 is expected to be available for the 2000–01 issue of 5501.0.

(b) The break in the Surplus/Deficit series will be footnoted.

(c) A full balance sheet will not be included; however, selected financial assets, liabilities and net debt will be.

na not available.

## SECTION 6

## RECONCILIATIONS BETWEEN GFS, ASNA AND AAS 31

**6.1** The conversion of GFS from a predominantly cash to an accruals basis of recording and the adoption of Australian Accounting Standards by governments means that statistical reports compiled by the ABS and accounting reports prepared by jurisdictions under AAS 31 will now be in the public arena on a similar recording basis. However, GFS and ASNA are frameworks designed to facilitate macro-economic analysis whereas AAS 31 outlines a standard for general purpose financial reporting. Therefore, GFS and ASNA on the one hand and AAS 31 on the other serve different objectives and so differences in the treatment of certain items may be expected. The objective of this section is to identify and explain the major differences between the statistical and accounting reports so that they can be reconciled and ensure the integrity of, and user confidence in, both sets of data.

**6.2** The ABS intends to use data compiled for AAS 31 reporting purposes and the underlying accounting and budgetary system information as the basis for GFS. Providing this can be done, it will be possible to reconcile between GFS and AAS 31 reports by institutional sector, by level of government, and by jurisdiction. GFS output may also be reconciled with ASNA output, but reconciliation will only be possible at more aggregated levels.

GFS NET OPERATING  
BALANCE AND AAS 31  
OPERATING SURPLUS

**6.3** The measure of Net Operating Balance in GFS differs from its corresponding or counterpart aggregate, Operating Surplus (Deficit) under AAS 31. Certain items included in the AAS 31 measure are excluded from the GFS measure. Conversely, certain items are excluded from the AAS 31 measure and included in the GFS measure. These differences are detailed below.

Provisions for doubtful debts

**6.4** Provisions for doubtful debts (or more correctly, 'allowances' for doubtful debts in terms of recently introduced accounting terminology) relate to anticipated doubtful debts expensed during the period. These provisions or allowances are excluded from GFS Net Operating Balance as they do not meet the GFS definition of transactions, but are included in AAS 31 Operating Surplus (Deficit). In GFS, bad debts written off are treated as capital transfers (if mutually agreed between debtor and creditor) or as other changes in the volume of assets (if unilaterally written off by the creditor).

Bad debts written off from  
provisions and treated as  
capital transfers

**6.5** An adjustment for those bad debts written off from provisions and treated as capital transfers in GFS is required when reconciling AAS 31 Operating Surplus (Deficit) with GFS Net Operating Balance.

Gains and losses on assets **6.6** Gains and losses on assets are excluded from GFS Net Operating Balance, but included in AAS 31 Operating Surplus (Deficit). Such gains and losses, treated as either revenue or expenses in the AAS 31 operating statement, include profit and loss on the sale of assets, realised and unrealised gains and losses on derivative financial instruments, and realised and unrealised gains and losses on securities valued at historic cost. These items are excluded from the GFS Net Operating Balance and treated as revaluations in GFS output.

Abnormal items **6.7** All abnormal items recorded in the period are included in the measure of AAS 31 Operating Surplus (Deficit) for that period. They are currently disclosed separately because of their unusual impact on the operating result but, due to changes to Australian Accounting Standards, such disclosure will not be required in respect of reporting periods beginning on or after 1 July 2000. In GFS, only abnormal items that represent revenue and expense transactions relevant to the period are included in the Net Operating Balance for that period. Those abnormal items that represent revaluations of assets or economic transactions relevant to other periods are not included in the Net Operating Balance for the period.

Distributions to owners (dividends) **6.8** In GFS, distributions to owners refers to transfers by public corporations to their parent entities and other shareholders in the form of dividends, transfers of profits or other similar distributions. These are regarded as expenses and included in GFS Net Operating Balance to generate, as closely as possible, the ASNA Savings plus Capital Transfers aggregate. Under accounting conventions, distributions to owners are not regarded as operating expenses.

Capitalised interest **6.9** In reports prepared under AAS 31, capitalised interest forms part of capital expenditure and is not included in the Operating Surplus (Deficit). In GFS, interest that is capitalised under AAS 31 is not considered to be conceptually part of capital formation. It is reflected as an interest expense in GFS output and is therefore included in the Net Operating Balance.

**6.10** Table 6.1 outlines the adjustments required to reconcile GFS Net Operating Balance with AAS 31 Operating Surplus (Deficit).

**6.1 RECONCILIATION OF GFS NET OPERATING BALANCE WITH AAS 31 OPERATING SURPLUS (DEFICIT)**

	GFS Net Operating Balance
<i>minus</i>	Provisions for doubtful debts
<i>plus</i>	Bad debts written off from provisions and treated as capital transfers
<i>plus/minus</i>	Gains/losses on assets, including derivatives
<i>plus/minus</i>	Adjustment for abnormal/extraordinary items(a)
<i>plus</i>	Distributions to owners (dividends)
<i>plus</i>	Capitalised interest
<i>plus/minus</i>	Other adjustments(b)
<i>equals</i>	AAS 31 Operating Surplus (Deficit)

(a) Due to changes to Australian Accounting Standards, separate identification of abnormal items will not be required on the face of financial statements in respect of reporting periods beginning on or after 1 July 2000.

(b) Calculated as a residual. May include adjustments for superannuation, coverage and unidentified differences.



GFS NET OPERATING  
BALANCE AND ASNA  
SAVINGS PLUS CAPITAL  
TRANSFERS

**6.11** In practice, the GFS Net Operating Balance will also differ from ASNA Savings plus Capital Transfers even though they are conceptually intended to be equivalent. The differences are outlined in the following text.

Interest

**6.12** In GFS (and under AAS 31) interest is valued on an historical or contractual basis, whereas in ASNA it is valued on a market basis for traded securities. This represents a significant difference between the two series. An adjustment for interest calculated at market values is therefore required when reconciling GFS Net Operating Balance with ASNA Savings plus Capital Transfers.

Consumption of fixed capital

**6.13** The accounting measure of depreciation does not align well in practice with the statistical measure of consumption of fixed capital. Thus, an adjustment for the difference in consumption of fixed capital is required when reconciling GFS Net Operating Balance with ASNA Savings plus Capital Transfers.

Ownership transfer costs

**6.14** In ASNA, costs associated with transactions in real assets are capitalised, not expensed. However, they are then fully depreciated in the same period, as they have no balance sheet value. An adjustment for ownership transfer costs is therefore required when reconciling GFS Net Operating Balance with ASNA Savings plus Capital Transfers.

**6.15** Table 6.2 outlines the adjustments required to reconcile GFS Net Operating Balance with ASNA Savings plus Capital Transfers.

**6.2 RECONCILIATION OF GFS NET OPERATING BALANCE WITH ASNA SAVINGS PLUS CAPITAL TRANSFERS**

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	GFS Net Operating Balance
<i>plus/minus</i>	Adjustment for interest calculated at market values
<i>plus/minus</i>	Adjustment for consumption of fixed capital
<i>plus/minus</i>	Adjustment for ownership transfer costs
<i>plus/minus</i>	Other adjustments(a)
<i>equals</i>	ASNA Savings plus Capital Transfers

(a) Calculated as a residual. May include timing and other unidentifiable differences.

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GFS NET WORTH, AAS 31  
NET ASSETS AND ASNA  
BALANCE SHEET NET  
WORTH

**6.16** GFS Net Worth, AAS 31 Net Assets and ASNA Balance Sheet Net Worth are equivalent for the large part. The GFS Net Worth measure represents total assets less liabilities less shares and other contributed capital. The AAS 31 Net Assets measure, in concept, represents Total Net Assets (total assets less total liabilities) less outside equity interests, though in the illustration in the standard outside equity interests are not deducted from Total Net Assets – rather they are separately disclosed.



GFS NET WORTH, AAS 31  
NET ASSETS AND ASNA  
BALANCE SHEET NET  
WORTH *continued*

**6.17** Table 6.3 outlines the adjustments required to reconcile AAS 31 Net Assets with GFS Net Worth, and the latter with ASNA Balance Sheet Net Worth.

### 6.3 RECONCILIATION OF GFS NET WORTH, AAS 31 NET ASSETS AND ASNA BALANCE SHEET NET WORTH

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<i>plus/minus equals</i>	GFS Net Worth Adjustments(a) AAS 31 Net Assets
<i>plus/minus equals</i>	GFS Net Worth Adjustments(b) ASNA Balance Sheet Net Worth

(a) Calculated as a residual. Includes adjustments for capitalised interest, provision for bad debts, superannuation, coverage, valuation and unidentified differences. An attempt will be made to separately identify the major components.

(b) Calculated as a residual. Includes adjustments for possible coverage, valuation and unidentified differences. An attempt will be made to separately identify the major components.

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GFS AND ASNA NET  
LENDING/BORROWING

**6.18** The value of Net Lending/Borrowing derived in GFS will differ from that derived in ASNA due to the different treatment and valuation of some component items. These differences are detailed below.

Interest

**6.19** In ASNA, the calculation of interest on marketable securities is based upon the market rate whereas in GFS it is based upon the historical or contractual rate. This represents a significant difference in the two series.

**6.20** Table 6.4 outlines the adjustments required to reconcile GFS Net Lending/Borrowing with ASNA Net Lending/Borrowing.

### 6.4 RECONCILIATION OF GFS NET LENDING(+)/BORROWING(-) WITH ASNA NET LENDING(+)/BORROWING(-)

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<i>plus/minus plus/minus equals</i>	GFS Net Lending(+)/Borrowing(-) Adjustment for interest calculated at market values Other adjustments(a) ASNA Net Lending/Borrowing
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(a) Calculated as a residual. May include unidentifiable differences.

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AVAILABILITY OF  
RECONCILIATION  
STATEMENTS

**6.21** As indicated in section 5, it is the intention of the ABS to reconcile GFS measures with AAS 31 measures where these have been published by the respective jurisdiction as part of AAS 31 reports or budget documents. Given the April 2000 timing of the forthcoming GFE and the fact that in most cases the 1998–99 data will be preliminary and unaudited for which the corresponding AAS 31 statements will not have been published, reconciliations will not be included in this edition.

**6.22** The reconciliation statements outlined above will be introduced progressively as data sources allow from the 1998–99 issue of *Government Finance Statistics* (Cat. no. 5512.0).

## SECTION 7

## FURTHER INFORMATION

**7.1** This section outlines the availability of GFS tables on the old and new basis, and lists contacts for further information.

AVAILABILITY OF TABLES ON  
THE OLD BASIS

**7.2** Statistical tables on a cash basis similar to those contained in the 1998–99 and earlier issues of Cat. no. 5501.0 have been discontinued.

AVAILABILITY OF TABLES ON  
THE NEW BASIS

**7.3** A selection of tables outlined in appendix 2 to this Information Paper, which will contain GFS compiled on the new accruals basis, will be available from the 1999–2000 issue of Cat. no. 5501.0.

CONTACTS FOR FURTHER  
INFORMATION

**7.4** For further information contact either:

Betty Gruber  
Director  
Public Finance Section  
Australian Bureau of Statistics  
PO Box 10  
Belconnen ACT 2616

Telephone 02 6252 6178, facsimile 02 6251 6470, or email at [betty.gruber@abs.gov.au](mailto:betty.gruber@abs.gov.au)

or

Tulsi Ram  
Assistant Director  
Public Finance Section  
Australian Bureau of Statistics  
PO Box 10  
Belconnen ACT 2616

Telephone 02 6252 6117, facsimile 02 6251 6470, or email at [t.ram@abs.gov.au](mailto:t.ram@abs.gov.au)

## APPENDIX 1

### TREATMENT OF GOODS AND SERVICES TAX REVENUES IN GOVERNMENT FINANCE STATISTICS

**1** This appendix details the treatment of the goods and services tax (GST) revenues as a tax of the Commonwealth in government finance statistics (GFS).

#### BACKGROUND

##### Goods and services tax

**2** As part of the *Intergovernmental Agreement on Principles for the Reform of Commonwealth-State Financial Relations* (IGA) of June 1999 endorsed by the Prime Minister, all Premiers and Chief Ministers, the Commonwealth Government has enacted legislation to impose the GST from 1 July 2000 and provide for all of the GST revenue to be granted to the States and Territories.

**3** The GST is imposed by three Acts: *A New Tax System (Goods and Services Tax Imposition—General) Act 1999*; *A New Tax System (Goods and Services Tax Imposition—Customs) Act 1999*; *A New Tax System (Goods and Services Tax Imposition—Excise) Act 1999*. The rules relating to when and how the GST arises and who is liable to pay it, when and how input tax credits (and who is entitled to them) arise, how to calculate payments and refunds of GST and how they are to be made, and exemptions from GST are set down in *A New Tax System (Goods and Services Tax) Act 1999*. GST legislation also provides for the maintenance of the GST rate and base in accordance with the IGA of June 1999.

**4** Under the IGA, the Commonwealth Government will permanently cease the Commonwealth wholesale sales tax and the so-called safety net tax arrangements from 1 July 2000. State and Territory governments will also permanently cease bed taxes, financial institutions duties, and stamp duties on marketable securities at the same time and adjust their gambling taxes to take account of the impact of the GST on gambling operators. State debit taxes will cease on 1 July 2005 and the need to continue a number of State stamp duties on financial instruments and leases will also be reviewed in 2005. Note that, as part of the tax reform, the Commonwealth will retain income tax revenues for its own purposes.

**5** The GST will be collected by the Commonwealth through the Australian Taxation Office. State and Territory governments will pay an administrative fee to the Australian Taxation Office to cover the administration of the GST. These fees will not be deducted from GST revenues passed to the States and Territories.

**6** GST revenues replace the Commonwealth Financial Assistance Grants currently paid to the States and Territories by the Commonwealth (however, the Commonwealth will continue to provide Special Purpose Payments to the States and Territories). The Commonwealth will make revenue grants to the States and Territories equivalent to the GST revenue. There will be no restrictions on the use a State or Territory makes of these revenue grants.

**7** The share of GST revenue each State or Territory will receive (see Appendix B of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*) will be based on its population share adjusted by a relativity factor embodying per capita financial needs recommended by the Commonwealth Grants Commission. That is, horizontal fiscal equalisation principles will be applied in the distribution of GST revenue. The relativity factor for a State or Territory will be determined by the Commonwealth Treasurer after consultation with each State or Territory.

**8** The Commonwealth has guaranteed that, in the transition period following the introduction of the GST, it will provide interest free loans and grants to the States and Territories to ensure that no State or Territory government will be financially worse off in budgetary terms. The guarantee period will be not less than three years from the imposition of the GST. Any payments or repayments made under this guarantee will be exempt from assessments of per capita relativities recommended by the Commonwealth Grants Commission.

**9** The GST rate has initially been set at 10 per cent (s4, *A New Tax System (Goods and Services Tax Imposition—General) Act 1999*). This rate was originally proposed by the Commonwealth Government and was accepted by the State and Territory governments at the Special Premiers' Conference of November 1998. The initial rate can be varied after the first year of the operation of the GST if the variation has both the unanimous support of the State and Territory governments and the endorsement of the Commonwealth Government. During the first year of the operation of the GST, the Commonwealth will have the discretion to make unilateral changes to the GST base where such changes are of an administrative nature, are necessary to make minor adjustments to the GST, and are needed to protect the revenues going to States and Territories. A Ministerial Council will act as a consultative mechanism for decisions on proposed administrative base changes.

**10** Under the original IGA of November 1998, the States and Territories were to have made general purpose assistance payments to local government in place of the Commonwealth and assist first home owners through funding and administering a new uniform first home owners scheme. However, the State responsibility for making general purpose assistance payments to local government does not form part of the new IGA.

**11** Constitutionally, the GST is a Commonwealth tax because the GST is imposed and administered under Commonwealth legislation. The Commonwealth is the collecting government, but it will be distributing all GST revenues to the States and Territories.

**12** Government finance statistics are compiled to facilitate the analysis (particularly fiscal analysis) of government operations and their impact on the economy. The economic impact of government is identified through the application of a system of common definitions and classifications which allows meaningful comparisons to be made across jurisdictions and between countries. To this end, the ABS adopts the relevant guidelines of the International Monetary Fund's *A Manual on Government Finance Statistics* (1986).

**13** In relation to the attribution of tax revenues to collecting or beneficiary governments (a beneficiary government is one which receives some or all of the proceeds from taxes collected by another government), Chapter II.G of the IMF GFS Manual states that when a government '... collects taxes and pays them over in whole or in part to other governments, it is necessary to determine whether the revenues should be considered to be those of the collecting government which it distributes to others or those of the beneficiary governments which the collecting government receives and passes on only as their agent ...'. The IMF Manual then goes on to point out that because constitutional provisions vary widely among countries, it is not possible to formulate a single rule for the attribution of tax revenues to collecting or beneficiary governments.

**14** However, Chapter II.G does offer a general guide for the attribution of tax revenues to non-collecting beneficiary governments. Tax revenues may be attributed to non-collecting beneficiary governments:

'(1) when they have exercised some influence or discretion over the setting of the tax or distribution of its proceeds; or (2) when under provisions of the tax law they automatically receive a given percentage of the tax collected or arising in their territory; or (3) when they receive tax revenue under a tax law leaving no discretion to the collecting government.'

**15** This general guide is followed by five specific rules for use in the attribution of tax revenues among collecting and beneficiary governments. These rules are:

'(1) Tax revenues not distributed to any government other than the government collecting them should be shown as revenue of the collecting government.

(2) Tax revenues which a government collects and unilaterally earmarks at its discretion for distribution to another government should be shown as revenue of the collecting government and an intergovernmental transfer to the beneficiary government.

(3) Tax revenues that a government collects on behalf of another government, with the beneficiary government unilaterally determining the amount of the taxes and distribution of their proceeds, should be shown as revenue of the beneficiary government. They may be shown by the collecting government only as a memorandum item for agency transactions.

International Monetary Fund  
tax revenue attribution  
guidelines *continued*

(4) Tax revenues collected by one government and transferred to another with the amount or distribution decided upon jointly by both governments, or on the basis of the tax collected or arising in the territory of the beneficiary government, are to be shown as revenues of the ultimate beneficiary government and by the collecting government only as a memorandum item for agency transactions.

(5) If a regional or central government authorizes or requires local collection of a particular tax and permits local retention of part or all of the proceeds, the local shares are not classified as intergovernmental revenue or expenditure, but as tax revenue of the local governments ultimately receiving the proceeds.'

## TREATMENT OF GST REVENUES IN GFS

Broad statistical treatments

**16** The ABS must decide which of two broad statistical treatments should be applied to GST revenues in GFS. These treatments reflect either a 'constitutional' approach or an 'agency' approach. (These approaches are the same as those considered in deciding in 1997 on the classification of the so-called safety net taxes (s90 taxes) which, incidentally, cease when the GST is imposed.)

**17** Under a 'constitutional' approach, the GST would be considered to be a Commonwealth tax and GST revenues would be classified as Commonwealth tax receipts. The GST-funded payments made by the Commonwealth to the States and Territories would be classified as current grants.

**18** Under an 'agency' approach, the Commonwealth would be considered to be acting in an agency capacity on behalf of each State and Territory government in the collection of individual State or Territory tax revenues. On the Commonwealth side, GST receipts would be treated as taxes received and the payment of GST revenues to the States would be treated as negative taxes received. This would net out the GST for the Commonwealth. Receipts of GST revenues by the States and Territories would be treated as taxes received.

Attribution of GST revenues

**19** The following discussion relates the circumstances of the GST arrangements to the IMF's five specific rules for attribution as set out in paragraph 14 above.

*Rule 1: Tax revenues not distributed to any government other than the government collecting them should be shown as revenue of the collecting government.*

This rule is inapplicable.

*Rule 2: Tax revenues which a government collects and unilaterally earmarks at its discretion for distribution to another government should be shown as revenue of the collecting government and an intergovernmental transfer to the beneficiary government.*

This rule is applicable because the Commonwealth has the ultimate role in the determination and distribution of GST revenue.

*Rule 3: Tax revenues that a government collects on behalf of another government, with the beneficiary government unilaterally determining the amount of the taxes and distribution of their proceeds, should be shown as revenue of the beneficiary government. They may be shown by the collecting government only as a memorandum item for agency transactions.*

This rule is inapplicable due to the following:

- the GST is imposed and collected by the Commonwealth under the following legislation: *A New Tax System (Goods and Services Tax Imposition—General) Act 1999*, *A New Tax System (Goods and Services Tax Imposition—Customs) Act 1999*, *A New Tax System (Goods and Services Tax Imposition—Excise) Act 1999*;
- the Commonwealth Government must endorse any changes to the GST rate put forward unanimously by the States and Territories and the rate change must be enacted into law by the Commonwealth Parliament (June 1999 IGA, clause 31 and *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999*, Section 10); and
- the relativity factor for each State or Territory will be determined by the Commonwealth Treasurer after considering the recommendations of the Commonwealth Grants Commission and after consultation with each State or Territory (June 1999 IGA, Appendix B, clause B2 and *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999*, Section 9).

*Rule 4: Tax revenues collected by one government and transferred to another with the amount or distribution decided upon jointly by both governments, or on the basis of the tax collected or arising in the territory of the beneficiary government, are to be shown as revenues of the ultimate beneficiary government and by the collecting government only as a memorandum item for agency transactions.*

This rule is inapplicable because the distribution of GST revenue:

- is not decided jointly by both the Commonwealth Government and the State and Territory governments because the Commonwealth has the ultimate role in the determination and distribution of GST revenue; and



- is not distributed on the basis of tax collected or arising in the territory of beneficiary governments; the distribution of GST revenues will be based on the population share of each State and Territory adjusted by a relativity factor embodying per capita financial needs (June 1999 IGA, clauses 7–8 and Appendix B), thus there is no direct connection between the tax arising in a jurisdiction and the tax revenue returned to it.

*Rule 5: If a regional or central government authorizes or requires local collection of a particular tax and permits local retention of part or all of the proceeds, the local shares are not classified as intergovernmental revenue or expenditure, but as tax revenue of the local governments ultimately receiving the proceeds.*

This rule is inapplicable.

**20** The above discussion highlights that the Commonwealth exercises considerable influence and discretion over the setting of the GST and the distribution of its proceeds. It also suggests that, individually, the States and Territories do not have sufficient influence or discretion over the setting of the GST and the distribution of its proceeds. GST revenues will be distributed in accordance with Commonwealth Grants Commission fiscal equalisation principles in a similar manner to that already applied in the distribution of income taxes. This situation does not fit the IMF guidelines relating to the attribution of tax revenues to beneficiary governments, which means that GST revenues should not be treated as individual State or Territory tax revenue. Thus, the GST should be treated as a Commonwealth tax for government finance statistics purposes.

**21** On 5 August 1997, the High Court ruled that State and Territory business franchise fees on tobacco were constitutionally invalid. The Commonwealth Government legislated for and collected replacement excise taxes (s90 taxes) on a uniform basis and returned this revenue to the States and Territories after allowing for administration costs. Constitutionally, the Commonwealth had to apply a single excise tax rate in the place of the various business franchise tax rates which had been applied in each of the States and Territories. To ensure that no State or Territory was worse off financially and to ensure existing consumer price levels were maintained, a set of administrative arrangements was put in place. In addition, the Premiers and Chief Ministers had agreed in writing that s90 taxes were to be regarded as State/Territory taxes. The ABS therefore took the view that there should be no resultant impact on the statistics and decided to treat the s90 taxes as State/Territory taxes for the purposes of GFS. The s90 taxes will cease on 1 July 2000 when the GST is introduced.

**22** The economic circumstances of the GST arrangements differ in material ways to those applying to s90 taxes because the arrangements for the distribution of GST revenues do not have the same aspect as the s90 arrangements do of returning tax revenues arising in the territory of each jurisdiction.



ABS treatment of GST revenues in GFS

**23** In the light of the above, the ABS will adopt the constitutional treatment for GST revenue and classify GST revenues as Commonwealth taxes in GFS. The distribution of GST revenues to State and Territory governments will be treated as grants. Additional amounts of funding from the Commonwealth to offset any shortfall under the transitional arrangements will be classified either as loans or grants depending on how they are provided. These transactions will be separately identified in government finance statistics. The ABS will also publish an alternative view, as a memorandum table in the analytical section of its GFS publication, showing the GST values against individual States and Territories.

**1**

## ALL AUSTRALIAN GOVERNMENTS, General Government—Operating Statement

	Y(n-4)	Y(n-3)	Y(n-2)	Y(n-1)	Y(n)p	Y(n+1)e
	\$m	\$m	\$m	\$m	\$m	\$m
<b>GFS Revenue</b>						
Taxation revenue	—	—	—	—	—	—
Current grants and subsidies	—	—	—	—	—	—
Sales of goods and services	—	—	—	—	—	—
Interest income	—	—	—	—	—	—
Other	—	—	—	—	—	—
<i>Total</i>	—	—	—	—	—	—
<i>less</i>						
<b>GFS Expenses</b>						
Gross operating expenses						
Depreciation	—	—	—	—	—	—
Employee expenses	—	—	—	—	—	—
Other operating expenses	—	—	—	—	—	—
<i>Total</i>	—	—	—	—	—	—
Nominal superannuation interest expenses	—	—	—	—	—	—
Other interest expenses	—	—	—	—	—	—
Other property expenses	—	—	—	—	—	—
Current transfers						
Grant expenses	—	—	—	—	—	—
Subsidy expenses	—	—	—	—	—	—
Other current transfers	—	—	—	—	—	—
Capital transfers						
Grant expenses	—	—	—	—	—	—
Other capital transfers	—	—	—	—	—	—
<i>Total expenses</i>	—	—	—	—	—	—
<i>equals</i>						
<b>GFS Net Operating Balance</b>						
<i>less</i>						
Net acquisition of non-financial assets						
Gross fixed capital formation	—	—	—	—	—	—
<i>less</i> Depreciation	—	—	—	—	—	—
<i>plus</i> Change in inventories	—	—	—	—	—	—
<i>plus</i> Other transactions in non-financial assets	—	—	—	—	—	—
<i>Total</i>	—	—	—	—	—	—
<i>equals</i>						
<b>GFS Net Lending(+)/Borrowing(-)</b>						

NOTE: In this and following tables Y(n+1) represents the reference year of the publication.

## 2

### ALL AUSTRALIAN GOVERNMENTS, Public Non-financial Corporations—Operating Statement

	Y(n-4)	Y(n-3)	Y(n-2)	Y(n-1)	Y(n)p	Y(n+1)e
	\$m	\$m	\$m	\$m	\$m	\$m
<b>GFS Revenue</b>						
Sales of goods and services	—	—	—	—	—	—
Current grants and subsidies	—	—	—	—	—	—
Capital grants	—	—	—	—	—	—
Interest income	—	—	—	—	—	—
Other	—	—	—	—	—	—
<i>Total</i>	—	—	—	—	—	—
<i>less</i>						
<b>GFS Expenses</b>						
Gross operating expenses						
Depreciation	—	—	—	—	—	—
Employee expenses	—	—	—	—	—	—
Other operating expenses	—	—	—	—	—	—
<i>Total</i>	—	—	—	—	—	—
Property expenses						
Dividend expenses	—	—	—	—	—	—
Income tax equivalent expenses	—	—	—	—	—	—
Interest expense	—	—	—	—	—	—
Other property expenses	—	—	—	—	—	—
<i>Total</i>	—	—	—	—	—	—
Current transfers						
Grant expenses	—	—	—	—	—	—
Tax expenses	—	—	—	—	—	—
Other current transfers	—	—	—	—	—	—
Capital transfers	—	—	—	—	—	—
<i>Total expenses</i>	—	—	—	—	—	—
<i>equals</i>						
<b>GFS Net Operating Balance</b>	—	—	—	—	—	—
<i>less</i>						
Net acquisition of non-financial assets						
Gross fixed capital formation	—	—	—	—	—	—
<i>less</i> Depreciation	—	—	—	—	—	—
<i>plus</i> Change in inventories	—	—	—	—	—	—
<i>plus</i> Other transactions in non-financial assets	—	—	—	—	—	—
<i>Total</i>	—	—	—	—	—	—
<i>equals</i>						
<b>GFS Net Lending(+)/Borrowing(-)</b>	—	—	—	—	—	—

# 3

## ALL AUSTRALIAN GOVERNMENTS, Public Financial Corporations—Operating Statement

	Y(n-4)	Y(n-3)	Y(n-2)	Y(n-1)	Y(n)p
	\$m	\$m	\$m	\$m	\$m
<b>GFS Revenue</b>					
Sales of goods and services	—	—	—	—	—
Current grants and subsidies	—	—	—	—	—
Capital grants	—	—	—	—	—
Interest income	—	—	—	—	—
Other	—	—	—	—	—
<i>Total</i>	—	—	—	—	—
<i>less</i>					
<b>GFS Expenses</b>					
Gross operating expenses					
Depreciation	—	—	—	—	—
Employee expenses	—	—	—	—	—
Other operating expenses	—	—	—	—	—
<i>Total</i>	—	—	—	—	—
Property expenses					
Dividend expenses	—	—	—	—	—
Income tax equivalent expenses	—	—	—	—	—
Interest expenses	—	—	—	—	—
Other property expenses	—	—	—	—	—
<i>Total</i>	—	—	—	—	—
Current transfers					
Tax expenses	—	—	—	—	—
Other current transfers	—	—	—	—	—
Capital transfers					
<i>Total expenses</i>	—	—	—	—	—
<i>equals</i>					
<b>GFS Net Operating Balance</b>					
<i>less</i>					
Net acquisition of non-financial assets					
Gross fixed capital formation	—	—	—	—	—
<i>less</i> Depreciation	—	—	—	—	—
<i>plus</i> Change in inventories	—	—	—	—	—
<i>plus</i> Other transactions in non-financial assets	—	—	—	—	—
<i>Total</i>	—	—	—	—	—
<i>equals</i>					
<b>GFS Net Lending(+)/Borrowing(-)</b>					

# 4

## ALL AUSTRALIAN GOVERNMENTS, General Government

	Y(n-4)	Y(n-3)	Y(n-2)	Y(n-1)	Y(n)p	Y(n+1)e
	\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOW STATEMENT(a)</b>						
<b>Cash receipts from operating activities</b>						
Taxes received	—	—	—	—	—	—
Receipts from sales of goods and services	—	—	—	—	—	—
Grants and subsidies received	—	—	—	—	—	—
Other receipts	—	—	—	—	—	—
<i>Total</i>	—	—	—	—	—	—
<b>Cash payments for operating activities</b>						
Payments for goods and services	—	—	—	—	—	—
Grants and subsidies paid	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—
Other payments	—	—	—	—	—	—
<i>Total</i>	—	—	—	—	—	—
<i>Net cash flows from operating activities</i>	—	—	—	—	—	—
<b>Net cash flows from investments in non-financial assets</b>						
Sales of non-financial assets	—	—	—	—	—	—
Purchases of new non-financial assets	—	—	—	—	—	—
Purchases of secondhand non-financial assets	—	—	—	—	—	—
<i>Total</i>	—	—	—	—	—	—
<b>Net cash flows from investments in financial assets for policy purposes</b>	—	—	—	—	—	—
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	—	—	—	—	—	—
<b>Net cash flows from financing activities</b>						
Advances received (net)	—	—	—	—	—	—
Borrowing (net)	—	—	—	—	—	—
Deposits received (net)(b)	n.p.	n.p.	n.p.	n.p.	—	—
Other financing (net)(b)	n.p.	n.p.	n.p.	n.p.	—	—
<i>Total</i>	—	—	—	—	—	—
<b>Net Increase(+)/Decrease(-) in Cash Held</b>	—	—	—	—	—	—
<b>SURPLUS (+)/DEFICIT(-)(a)</b>						
<b>Net cash flows from operating activities and net cash flows from investments in non-financial assets</b>	—	—	—	—	—	—
<b>Acquisitions of assets under finance leases and similar arrangements</b>	(c)	(c)	(c)	(c)	—	—
<b>Surplus(+)/Deficit(-)</b>	—	—	—	—	—	—

(a) Due to changes associated with the move to an accrual accounting framework, data from 1998-99 onwards have been compiled on a different methodological basis to that of previous years. Consequently, data prior to 1998-99 are not directly comparable with the data for 1998-99 onwards. The net increase/decrease in cash held and the surplus/deficit aggregates should be used with caution.

(b) Data are not available separately for these years.

(c) Data are not available separately for these years and are included in net cash flows from investments in non-financial assets.

Note: Negative figures denote cash outflows.

# 5

## ALL AUSTRALIAN GOVERNMENTS, Public Non-financial Corporations

	Y(n-4)	Y(n-3)	Y(n-2)	Y(n-1)	Y(n)p	Y(n+1)e
	\$m	\$m	\$m	\$m	\$m	\$m
CASH FLOW STATEMENT(a)						
Cash receipts from operating activities						
Receipts from sales of goods and services	—	—	—	—	—	—
Grants and subsidies received	—	—	—	—	—	—
Other receipts	—	—	—	—	—	—
<i>Total</i>	—	—	—	—	—	—
Cash payments for operating activities						
Payments for goods and services	—	—	—	—	—	—
Grants and subsidies paid	—	—	—	—	—	—
Interest paid	—	—	—	—	—	—
Other payments	—	—	—	—	—	—
<i>Total</i>	—	—	—	—	—	—
<i>Net cash flows from operating activities</i>	—	—	—	—	—	—
Net cash flows from investments in non-financial assets						
Sales of non-financial assets	—	—	—	—	—	—
Purchases of new non-financial assets	—	—	—	—	—	—
Purchases of secondhand non-financial assets	—	—	—	—	—	—
<i>Total</i>	—	—	—	—	—	—
Net cash flows from investments in financial assets for policy purposes	—	—	—	—	—	—
Net cash flows from investments in financial assets for liquidity purposes	—	—	—	—	—	—
Net cash flows from financing activities						
Advances received (net)	—	—	—	—	—	—
Borrowing (net)	—	—	—	—	—	—
Deposits received (net)(b)	n.p.	n.p.	n.p.	n.p.	—	—
Other financing (net)(b)	n.p.	n.p.	n.p.	n.p.	—	—
Distributions paid(b)	n.p.	n.p.	n.p.	n.p.	—	—
<i>Total</i>	—	—	—	—	—	—
<b>Net Increase(+)/Decrease(-) in Cash Held</b>	—	—	—	—	—	—
SURPLUS(+)/DEFICIT(-)(a)						
Net cash flows from operating activities, net cash flows from investments in non-financial assets and distributions paid	—	—	—	—	—	—
Acquisitions of assets under finance leases and similar arrangements	(c)	(c)	(c)	(c)	—	—
<b>Surplus(+)/Deficit(-)</b>	—	—	—	—	—	—

(a) Due to changes associated with the move to an accrual accounting framework, data from 1998–99 onwards have been compiled on a different methodological basis to that of previous years. Consequently, data prior to 1998–99 are not directly comparable with the data for 1998–99 onwards. The net increase/decrease in cash held and the surplus/deficit aggregates should be used with caution.

(b) Data are not available separately for these years.

(c) Data are not available separately for these years and are included in net cash flows from investments in non-financial assets.

Note: Negative figures denote cash outflows.

## 6

## ALL AUSTRALIAN GOVERNMENTS, Public Financial Corporations

	Y(n-4)	Y(n-3)	Y(n-2)	Y(n-1)	Y(n)p
	\$m	\$m	\$m	\$m	\$m
CASH FLOW STATEMENT(a)					
Cash receipts from operating activities					
Receipts from sales of goods and services	—	—	—	—	—
Grants and subsidies received	—	—	—	—	—
Other receipts	—	—	—	—	—
Total	—	—	—	—	—
Cash payments for operating activities					
Payments for goods and services	—	—	—	—	—
Interest paid	—	—	—	—	—
Other payments	—	—	—	—	—
Total	—	—	—	—	—
Net cash flows from operating activities	—	—	—	—	—
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	—	—	—	—	—
Purchases of new non-financial assets	—	—	—	—	—
Purchases of secondhand non-financial assets	—	—	—	—	—
Total	—	—	—	—	—
Net cash flows from investments in financial assets for policy purposes	—	—	—	—	—
Net cash flows from investments in financial assets for liquidity purposes	—	—	—	—	—
Net cash flows from financing activities					
Advances received (net)	—	—	—	—	—
Borrowing (net)	—	—	—	—	—
Deposits received (net)(b)	n.p.	n.p.	n.p.	n.p.	—
Other financing (net)(b)	n.p.	n.p.	n.p.	n.p.	—
Distributions paid(b)	n.p.	n.p.	n.p.	n.p.	—
Total	—	—	—	—	—
<b>Net Increase(+)/Decrease(-) in Cash Held</b>	—	—	—	—	—
SURPLUS (+)/DEFICIT (-)(a)					
Net cash flows from operating activities, net cash flows from investments in non-financial assets and distributions paid	—	—	—	—	—
Acquisitions of assets under finance leases and similar arrangements	(c)	(c)	(c)	(c)	—
<b>Surplus(+)/Deficit(-)</b>	—	—	—	—	—

(a) Due to changes associated with the move to an accrual accounting framework, data from 1998-99 onwards have been compiled on a different methodological basis to that of previous years. Consequently, data prior to 1998-99 are not directly comparable with the data for 1998-99 onwards. The net increase/decrease in cash held and the surplus/deficit aggregates should be used with caution.

(b) Data are not available separately for these years.

(c) Data are not available separately for these years and are included in net cash flows from investments in non-financial assets.

Note: Negative figures denote cash outflows.

# 7

## ALL AUSTRALIAN GOVERNMENTS, General Government—Balance Sheet

	AT 30 JUNE .....				
	Y(n-4)	Y(n-3)	Y(n-2)	Y(n-1)	Y(n)p
	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>					
Financial assets	—	—	—	—	—
Cash and deposits	—	—	—	—	—
Advances paid	—	—	—	—	—
Investments, loans and placements	—	—	—	—	—
Other non-equity assets	n.a.	n.a.	n.a.	n.a.	—
Equity	n.a.	n.a.	n.a.	n.a.	—
Total	n.a.	n.a.	n.a.	n.a.	—
Non-financial assets					
Land and fixed assets	n.a.	n.a.	n.a.	n.a.	—
Other non-financial assets	n.a.	n.a.	n.a.	n.a.	—
Total	n.a.	n.a.	n.a.	n.a.	—
<b>Total</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>—</b>
<b>Liabilities</b>					
Deposits held	—	—	—	—	—
Advances received	—	—	—	—	—
Borrowing	—	—	—	—	—
Unfunded superannuation liability	n.p.	n.p.	n.p.	n.p.	—
Other employee entitlements and provisions	n.a.	n.a.	n.a.	n.a.	—
Other non-equity liabilities	n.a.	n.a.	n.a.	n.a.	—
Total	n.a.	n.a.	n.a.	n.a.	—
<b>GFS Net Worth</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>—</b>
Net debt(a)	—	—	—	—	—

(a) Equals deposits held, advances received and borrowing less cash and deposits, advances paid, and investments, loans and placements.



## 8

## ALL AUSTRALIAN GOVERNMENTS, Public Non-financial Corporations—Balance Sheet

	AT 30 JUNE .....				
	Y(n-4)	Y(n-3)	Y(n-2)	Y(n-1)	Y(n)p
	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>					
Financial assets	—	—	—	—	—
Cash and deposits	—	—	—	—	—
Investments, loans and placements	—	—	—	—	—
Other non-equity assets	n.a.	n.a.	n.a.	n.a.	—
Equity	n.a.	n.a.	n.a.	n.a.	—
Total	n.a.	n.a.	n.a.	n.a.	—
Non-financial assets					
Land and fixed assets	n.a.	n.a.	n.a.	n.a.	—
Other non-financial assets	n.a.	n.a.	n.a.	n.a.	—
Total	n.a.	n.a.	n.a.	n.a.	—
<b>Total</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>—</b>
<b>Liabilities</b>					
Deposits held	—	—	—	—	—
Advances received	—	—	—	—	—
Borrowing	—	—	—	—	—
Unfunded superannuation liability	n.p.	n.p.	n.p.	n.p.	—
Other employee entitlements and provisions	n.a.	n.a.	n.a.	n.a.	—
Other non-equity liabilities	n.a.	n.a.	n.a.	n.a.	—
Total	n.a.	n.a.	n.a.	n.a.	—
Shares and other contributed capital	n.a.	n.a.	n.a.	n.a.	—
<b>GFS Net Worth</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>—</b>
Net debt(a)	—	—	—	—	—

(a) Equals deposits held, advances received and borrowing less cash and deposits, and investments, loans and placements.

# 9

## ALL AUSTRALIAN GOVERNMENTS, Public Financial Corporations—Balance Sheet

AT 30 JUNE .....					
	Y(n-4)	Y(n-3)	Y(n-2)	Y(n-1)	Y(n)p
	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>					
Financial assets	—	—	—	—	—
Cash and deposits	—	—	—	—	—
Investments, loans and placements	—	—	—	—	—
Other non-equity assets	n.a.	n.a.	n.a.	n.a.	—
Equity	n.a.	n.a.	n.a.	n.a.	—
Total	n.a.	n.a.	n.a.	n.a.	—
Non-financial assets					
Land and fixed assets	n.a.	n.a.	n.a.	n.a.	—
Other non-financial assets	n.a.	n.a.	n.a.	n.a.	—
Total	n.a.	n.a.	n.a.	n.a.	—
<b>Total</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>—</b>
<b>Liabilities</b>					
Deposits held	—	—	—	—	—
Advances received	—	—	—	—	—
Borrowing	—	—	—	—	—
Unfunded superannuation liability	n.p.	n.p.	n.p.	n.p.	—
Other employee entitlements and provisions	n.a.	n.a.	n.a.	n.a.	—
Other non-equity liabilities	n.a.	n.a.	n.a.	n.a.	—
Total	n.a.	n.a.	n.a.	n.a.	—
Shares and other contributed capital	n.a.	n.a.	n.a.	n.a.	—
<b>GFS Net Worth</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>—</b>
Net debt(a)	—	—	—	—	—

(a) Equals deposits held, advances received and borrowing less cash and deposits and investments, loans and placements.

# 10

## STATEMENT OF STOCKS AND FLOWS—Y(n)

	Opening Balance	Net Result of Transactions	Revaluations and Other Changes(a)	Closing Balance
	\$m	\$m	\$m	\$m
<b>Assets</b>				
Financial Assets				
Cash and deposits	—	—	—	—
Advances paid	—	—	—	—
Other non-equity assets	—	—	—	—
Equity	—	—	—	—
<i>Total</i>	—	—	—	—
Non-financial Assets				
Land	—	—	—	—
Fixed assets	—	—	—	—
Other non-financial assets	—	—	—	—
<i>Total</i>	—	—	—	—
<i>Total</i>	—	—	—	—
<b>Liabilities</b>				
Borrowing and deposits held				
Advances received	—	—	—	—
Provisions				
Employee related	—	—	—	—
Other	—	—	—	—
Other non-equity liabilities	—	—	—	—
<i>Total</i>	—	—	—	—
Shares and other contributed capital(b)	—	—	—	—
<b>GFS Net Worth</b>	—	—	—	—
Net Debt(c)	—	—	—	—

(a) As data sources improve, it is intended that this item will be split into 'revaluations' and 'other changes in volume of assets'.

(b) This item is not applicable to the general government sector.

(c) Equals deposits held, advances received and borrowing less cash and deposits, advances paid, and investments, loans and placements.

## GLOSSARY

<b>Accrual recording</b>	A recording method in which revenues, expenses, lending and borrowing are recorded as they are earned, accrued or incurred regardless of when payment is made or received.
<b>Assets</b>	Instruments or entities over which ownership rights are enforced by institutional units and from which economic benefits may be derived by holding them, or using them, over a period of time. Two types of assets are distinguished: financial and non-financial.
<b>Australian Accounting Standards (AAS)</b>	Specific accounting policies developed and promulgated by the Australian Accounting Standards Board (AASB) and the Public Sector Accounting Standards Board (PSASB). The principal standard applicable to the Commonwealth, State and Territory Governments is AAS 31 'Financial Reporting by Governments', issued by the PSASB.
<b>Australian System of National Accounts (ASNA)</b>	A set of statistics, compiled in accordance with the principles expounded in SNA93 (see below), which include annual and quarterly estimates of national income and expenditure, input-output tables, State accounts, estimates of capital stock, financial accounts, and national balance sheets.
<b>Balance Sheet</b>	A statement of an entity's financial position at a specific point in time. Contains information on assets, liabilities and owners' equity at a specific date. Also called Statement of Financial Position or Statement of Assets and Liabilities.
<b>Cash</b>	Cash includes cash on hand and cash equivalents. Cash on hand consists of notes and coins held, and deposits held at call with a bank or financial institution. Cash equivalents are highly liquid investments which are readily convertible to cash on hand at the investor's discretion.
<b>Cash accounting</b>	An accounting method in which entries are recorded when cash payments are made or received.
<b>Cash Flow Statement</b>	The Cash Flow Statement identifies how cash is generated from, and applied to, operating, investing and financing activities of a public sector unit.
<b>Change in GFS Net Worth (INW)</b>	The difference between Net Worth at the beginning of a period and Net Worth at the end of that period.
<b>Economic Type Framework (ETF)</b>	A hierarchically structured classification, used in GFS, for categorising stocks and flows into economic groups.
<b>Financial Assets and Liabilities (FALS)</b>	Statistics previously produced to describe selected financial assets and liabilities of the public sector.
<b>Flows</b>	Flows are economic events and other occurrences that cause changes in the value of stocks through the creation, transformation, exchange, transfer or extinction of value. They consist of transactions, revaluations and other changes in the volume of assets.

<b>General government</b>	A GFS sector comprising resident public institutional units which are mainly engaged in the production of goods and services outside the normal market mechanism for consumption by governments and the general public. Costs of production are mainly financed from public tax revenues. Goods and services are provided free of charge or at nominal charges well below costs of production.
<b>General purpose financial reports of governments</b>	The requirement of AAS 31 that all governments prepare and publish general purpose accrual-based reports for the consolidated sum of all entities controlled by each government, as well as encouragement for their dis-aggregation into each broad sector of government activity.
<b>GFS Expenses</b>	Transactions which decrease Net Worth in the reporting period.
<b>GFS Net Lending/Borrowing</b>	Defined as the Net Operating Balance <i>less</i> Net acquisition of non-financial assets.
<b>GFS Net Operating Balance</b>	Calculated as GFS Revenues <i>minus</i> GFS Expenses. It is equivalent to the Increase in Net Worth arising from transactions.
<b>GFS Net Worth</b>	Defined as Assets <i>less</i> Liabilities <i>less</i> Shares and other contributed capital. For the general government sector, Net Worth is Assets <i>less</i> Liabilities since shares and contributed capital is zero.
<b>GFS Operating Statement</b>	A statement which presents details of transactions in revenues, expenses and the net acquisition of non-financial assets, and derives the GFS Net Operating Balance and GFS Net Lending/Borrowing measures.
<b>GFS Revenues</b>	Transactions which increase Net Worth in the reporting period.
<b>Government Finance Statistics (GFS)</b>	Statistics that are compiled by summarising the individual stocks and flows of governments and organising them into meaningful categories appropriate for analysis, planning and policy determination.
<b>Government Financial Estimates (GFE)</b>	The publication <i>Government Financial Estimates</i> (Cat. no. 5501.0) which contains forward or budget estimates in respect of the Commonwealth, State, Territory and local governments and their public non-financial corporations.
<b>IMF Manual on Government Finance Statistics, 1986</b>	The 1986 edition of the manual released by the International Monetary Fund (IMF) outlining a set of international statistical standards for the compilation and presentation of government finance statistics.
<b>Jurisdiction</b>	The Commonwealth government and each of the State and Territory governments. The term also includes local governments but is used less frequently in this context.
<b>Liabilities</b>	Obligations to provide economic value to other institutional units.
<b>Multi-jurisdictional sector</b>	The sector consisting of public units for which control is shared between two or more governments (e.g. public universities).

<b>Net Debt</b>	The difference between selected liabilities and selected financial assets (deposits held, advances received and borrowing <i>less</i> cash and deposits, advances paid, and investments, loans and placements).
<b>Non-financial public sector</b>	The sector formed through a consolidation of the general government and public non-financial corporation sub-sectors.
<b>Other Changes in the Volume of Assets</b>	Stock changes, such as discoveries of new assets and depletion or destruction of existing assets, that are not a result of transactions or revaluations.
<b>Public Financial Corporations</b>	Resident public enterprises mainly engaged in acquiring financial assets and incurring liabilities in the financial market on their own account.
<b>Public Non-financial Corporations</b>	Resident public enterprises mainly engaged in the production of goods and services of a non-financial nature for sale in the market place at economically significant prices.
<b>Revaluations</b>	Changes to stocks that arise as a result of price movements, including exchange rate movements.
<b>System of National Accounts, 1993 (SNA93)</b>	The <i>System of National Accounts</i> 1993 is a framework for the production of economic accounts, developed jointly by the Commission of the European Communities, the International Monetary Fund, the Organisation for Economic Cooperation and Development, the United Nations and the World Bank.
<b>Statement of Stocks and Flows</b>	A statement showing the opening balances of assets and liabilities, the related flows during the reporting period and the closing balances.
<b>Stocks</b>	Holdings of assets and liabilities, at a point in time, valued at market prices prevailing at that time.
<b>Surplus/Deficit</b>	Net cash from operating activities plus net cash from investments in non-financial assets less distributions paid less acquisitions of assets under finance leases and similar arrangements.
<b>Transactions</b>	Changes to stocks that come about as a result of mutually agreed interactions between institutional units. Also included as transactions are certain items, such as depreciation, that do not involve interaction with other institutional units. The recording of such 'internal' transactions recognises that an institutional unit can act simultaneously in two capacities of economic interest.
<b>Uniform Presentation Agreement (UPA)</b>	An agreement at the 1991 Premiers' Conference that the Commonwealth, State and Territory Governments would present, as part of their budget or related documentation, a minimum set of statistics on a standard (ABS) GFS basis according to an agreed format commonly referred to as the Uniform Presentation Framework (UPF). The original UPF has been recently revised to accommodate the move to accruals-based accounting and GFS statistics.

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