Australian System of Government Finance Statistics: Concepts, Sources and Methods

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PREFACE

This preliminary draft provides a comprehensive account of the concepts applied in Australian government finance statistics (GFS) and describes the sources of data and methods used to compile the statistics. This is the third edition of the Australian GFS Manual published by the Australian Bureau of Statistics (ABS). Its main purpose is to serve as a reference manual for users of the statistics who require a detailed understanding of the concepts, sources and methods in order to analyse and interpret the information that the statistics convey. The manual will also assist compilers of government financial statistics, including those in state and territory treasuries, and the Department of Finance responsible for preparing information on a GFS basis.

The information in this edition of the manual substantially revises much of the information contained in the second edition (released in 2005). Australia's system for producing GFS has been changed because of the revision of the international standard for compiling national accounts and the consequent revision of the International Monetary Fund's (IMF's) GFS Manual 2014. The statistical concepts and classification principles used in compiling Australian GFS are based on the IMF standard because it is designed to enable preparation of uniform statistics relating to all IMF member countries and is widely recognised in the international statistical community.

Government accounting systems are the main source of data that enter GFS. In revising the system for producing GFS, the ABS worked with authorities responsible for developing and administering the accounting standards that are applied by Australian governments. Differences between accounting and statistical concepts are inevitable because they serve different purposes. While steps are being taken to keep these differences to a minimum, some remain. These have been identified and clear links have been established between the accounting and statistical systems. The links are set out in this manual. This will enable users of government financial reports and GFS to reconcile the data recorded in these two sources of information.

While this manual provides extensive detail about GFS, coverage of every conceivable aspect is impossible. Therefore, when examples of various types of activities that are covered by particular aspects of GFS are presented, they should be treated as illustrative rather than as definitive.

ABS REQUEST FOR COMMENTS:

The Australian Bureau of Statistics (ABS) is seeking comments on this preliminary draft of the *Australian Government Finance Statistics: Concepts, Sources and Methods, 2015* (AGFS15) by 31 October 2015.

Electronic submissions may be lodged with the Director of the ABS Public Finance Section Jonathon Khoo (j.khoo@abs.gov.au). Written submissions may be lodged to the following address:

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SPECIFIC MATTERS FOR COMMENT:

The ABS would particularly value comments on any clarification required on the concepts contained in this preliminary draft of the AGFS15.

David Kalisch
Australian Statistician

CHAPTER 1 - INTRODUCTION

PART A - INTRODUCTION

1.1 The term 'government finance statistics' refers to statistics that measure the financial activities of governments and reflects the impact of those activities on other sectors of the economy. The acronym 'GFS' is used throughout this manual to refer to government finance statistics. The term 'the GFS system' is used to refer to the data system that supports GFS. The data system includes the concepts and classifications applied, sometimes called the 'statistical framework', and the sources of data and methods used to compile the statistics. The subject of this manual is the GFS system in Australia but the discussion also embraces GFS, the product of that system.

1.2 The GFS system covers all activities of governments that can be measured in money terms. The system focuses on monetary measures of transactions and other economic flows that involve governments, and the money values of assets and liabilities held by governments. Examples of activities covered by GFS include government spending, lending, taxing, and borrowing. As well, the statistics include information about the value of government investments and debt.

1.3 The need for financial measures of government activities in their own right arises from the unique legislative and regulatory authority that governments can exercise over other institutional units in the economy. Australia's GFS serve to meet the community's demand for standardised and detailed financial information about the activities of all Australian governments.

PART B - THE EFFECTIVE DATE

1.4 Under current accounting standards, the Australian System of Government Finance Statistics Concepts, Sources and Methods, 2015 edition (also known as the AGFS15) will be effective for data reported for the period from 1 July 2017 onwards. This manual supersedes the *Australian System of Government Finance Statistics Concepts, Sources and Methods, 2005*.

PART C - THE UNDERLYING STATISTICAL STANDARDS

1.5 The Australian GFS system is based on two important international statistical standards:

- the system of national accounts embodied in *System of National Accounts 2008* (2008 SNA), issued jointly by the United Nations (UN), the International Monetary Fund (IMF), the Commission of European Communities, the Organisation for Economic Co-operation and Development (OECD) and the World Bank; and
- the *International Monetary Fund Government Finance Statistics Manual 2014* (IMF GFSM 2014), which is the international statistical standard for compiling GFS developed by the IMF (in consultation with member countries). The current version was released in 2015, and it replaced the version released in 2001.

1.6 The 2008 SNA can be seen as an 'umbrella' standard with which a number of other international statistical standards are 'harmonised'. The harmonised standards use 2008 SNA statistical concepts and, to a degree, use common classifications and items, enabling links between the harmonised system and the SNA to be readily established. The IMF standard for GFS is such a harmonised system.

1.7 The 2008 SNA is a statistical framework relating to the whole of an economy and covers government activities only as a component. The 2008 SNA also differs from the GFS system in that its central focus is on economic concepts such as production, whereas the GFS system concentrates mainly on fiscal concepts such as revenues and expenses.

1.8 The *Australian System of National Accounts* (ASNA) is aligned with international standards for national accounts set out in the 2008 SNA. There are close links between the ASNA and Australia's GFS system, which is the main source of ASNA statistics about the general government sector and public non-financial corporations. The GFS system is designed to provide data that can be used in compiling the national accounts and the two data systems have many concepts in common.

1.9 The IMF GFS standard is internationally accepted as the appropriate framework on which to base the preparation and presentation of GFS. Therefore, the core definitions and descriptions in this manual are deliberately intended to be consistent (where possible) with equivalent descriptions and definitions in the IMF GFSM 2014. The ABS provides GFS to the IMF for publication with similar statistics for all IMF member countries. Because these statistics are prepared according to the IMF standard, they can be used to compare Australian government finance with the government finance of the other member countries. In publishing GFS for Australia, the ABS includes minor adaptations of the IMF standard, only deviating where necessary to meet local needs. Details of where the AGFS15 deviates from the IMF GFS standards are provided in Chapter 17 of this manual.

1.10 Harmonisation of the GFS system with the SNA ensures that users of GFS can relate the statistics to national accounts data for the whole economy and other sectors. International statistical standards relating to the *Balance of Payments and International Investment Position Manual* (BPM 6) and the *Monetary and Financial Statistics Manual* (MFSM) are also harmonised with the SNA. Therefore, where these statistics use concepts that are also used in the GFS system, the concepts are defined in the same way as in the GFS system.

PART D - THE SCOPE OF THE GFS

1.11 Government activities covered by the GFS system include not only the functions of government departments and authorities that are financed primarily from taxation (classified as general government units and described as ‘non-market’ units in the IMF GFSM 2014), but also the operations of government controlled corporations and authorities (described as ‘market’ units in the IMF GFSM 2014). Distinctions are made in the statistics between the operations of such market-oriented units controlled by governments and all other government units. Market-oriented units are further sub-divided between those with primarily financial functions, such as government controlled banks and insurance companies (public financial corporations), and other market units such as government controlled utilities (referred to as public non-financial corporations). All three levels of government (national, state / territory, and local) are covered by the statistics and separate data are compiled for each level of government and for each jurisdiction (i.e. the Commonwealth, each state and territory and the control not further defined sector which includes public universities).

PART E - RELATIONSHIP TO THE ACCOUNTING STANDARDS

1.12 The main sources of information for compiling GFS in Australia are the data systems that support the public accounts of the Commonwealth, and each state and territory government. These accounts are largely geared towards financial accountability and control and are in a format reflecting accounting standards and legal and administrative imperatives in each jurisdiction. In compiling the statistics, the ABS makes use of the accounts of other government authorities that fall within the scope of the GFS system but are not covered by the public accounts and keep their own particular forms of financial accounts. Also used are local governments’ accounts, which are kept in a form dictated by administrative requirements and accounting standards.

1.13 The accounts that are the main sources of information for compiling GFS in Australia generally comply with Australian accounting standards for government entities. The accounting concepts established by these standards are generally consistent with the statistical concepts employed in GFS. In developing Australia’s GFS system, the ABS has worked closely with government accountants and the Australian Accounting Standards Board and has endeavoured to identify wand document the small number of unavoidable differences between the GFS system and the accounting standards.

1.14 Although accounting standards impose a high degree of uniformity on government financial reporting, government financial reports generally do not contain the degree of classificatory detail and the focus on particular economic and fiscal measures that GFS provides. Only the GFS system provides data that can be used for international comparisons and can be related to economic data included in the national accounts. The GFS relationship to the Australian accounting standards is further discussed in Chapter 17 of this manual.

PART F - BASIS OF RECORDING

1.15 In the past, government accounts were maintained primarily on a cash basis and only cash flows and selected balances were recorded. Similarly, the GFS system was originally a cash based system. However, the ABS moved to an accruals basis of recording GFS with supporting information about cash flows in 2000. Under the GFS accrual system, all economic events that create, transform, exchange, transfer or extinguish economic value are recorded, whether or not they are associated with cash flows. All such events are recorded at the time at which they occur rather than when associated cash flows occur.

PART G - DERIVED ITEMS

1.16 In broad terms, the primary use of GFS is in fiscal analysis or the analysis of government financial data for the purpose of developing and evaluating government economic policy. Fiscal analysts focus on measures that are indicative of the financial situation of governments and the impact of government operations on the rest of the economy. While a wide range of financial information is required to meet the needs of fiscal analysts, a prominent feature of fiscal analysis is the use of key indicators that provide a convenient summary of financial outcomes. These indicators are derived using reported flows and / or stock positions. They are sometimes referred to as analytical balances or balancing items. Aggregates are generally calculated by summing individual flows / stocks, while balances are calculated by subtracting one aggregate from another aggregate.

PART H - PURPOSE OF THIS MANUAL

1.17 This manual is intended as a general reference document for users and compilers of GFS. For users, the manual provides a detailed account of the concepts underlying GFS, the sources of data employed and the methods used to compile the statistics. As such, the manual should assist users to obtain a deeper understanding of the nature and content of the statistics than can be obtained from the ABS publications in which the statistics are presented. For compilers, the manual is intended to serve as a training aid and as a working reference on matters of technical detail.

PART I - ORGANISATION OF THIS MANUAL

1.18 This manual has been structured to provide a sequence of discussion of the concepts, sources and methods used in the compilation of GFS. The following structure has been used:

- Chapter 1: Introduction - (this chapter) discusses the nature of the GFS and the purpose and organisation of this manual.
- Chapter 2: Institutional units and sectors - discusses the scope and coverage of institutional units and sectors, including discussion on the concept of residence, types of institutional units, and the different institutional sectors.
- Chapter 3: Flows, stock positions and accounting rules - discusses economic flows in the context of transactions and other economic flows, the rearrangement of certain GFS transactions such as rerouting, partitioning, and reassignment, the economic stocks of assets, and the accounting rules used in the GFS.
- Chapter 4: The analytical framework - describes the ABS GFS analytical framework, discusses some of the input classifications and the statements that make up the GFS analytical framework.
- Chapter 5: The statement of operations - looks at the elements that relate to the GFS statement of operations, including the concepts of revenue and expenses, the net operating balance, transactions in non-financial assets, and the concept of GFS net lending (+) / net borrowing (-).
- Chapter 6: Revenue - examines the concept of revenue in detail, including revenue recognition, the time of recording of revenue and the detailed classification of revenue in the GFS.
- Chapter 7: Expenses - examines the concept of expenses in detail, including the time of recording of expenses, the treatment of certain expenses in GFS such as government payments to NPIs and superannuation, and the classification of expenses in the GFS.
- Chapter 8: The balance sheet - looks at the elements that make up the GFS balance sheet, describes the concepts of assets and liabilities, and discusses some other aspects of the GFS balance sheet including the treatment of debt in the GFS system.

- Chapter 9: Transactions in financial assets and liabilities - examines the nature of financial assets and liabilities and the relationship between them, including the valuation, the time of recording and the classification of financial assets in the GFS system.
- Chapter 10: Transactions in non-financial assets - examines the nature of non-financial assets, including the valuation, the time of recording and the classification of non-financial assets in the GFS system.
- Chapter 11: Other economic flows - discusses the concept of other economic flows in the context of holding gains and losses and other changes in the volume of assets and liabilities, and their classification in the GFS system.
- Chapter 12: The statement of sources and uses of cash - describes the definitions and classifications associated with the statement of sources and uses of cash in GFS.
- Chapter 13: Treatment of selected items - describes the treatment of various items that appear in the statement of operations and the balance sheet.
- Chapter 14: Data sources and methods of compilation - describes the data sources and the collection methodology used in the ABS GFS system, and the methods used in compilation of GFS data.
- Chapter 15: Data output - describes the statistical output of the GFS system.
- Chapter 16: Data quality - analyses the accuracy, reliability and timeliness of the statistics.
- Chapter 17: Relationships to other statistical systems - provides a broad description of the relationship of the AGFS15 with the IMF GFSM 2014, the ASNA, and the Australian accounting standard AASB 1049.
- Appendix 1: Classifications for compiling GFS
  - Part A: GFS classifications and framework - describes the GFS classifications and framework used in compiling GFS.
  - Part B: Supplementary information - describes the supporting information that appears as GFS input classifications, such as memorandum items, contingent liabilities, debt maturity, and a breakdown of own account capital formation.
  - Part C: Classification of the functions of government - Australia (COFOG-A) - describes the definitions and classifications contained in the COFOG-A.
- Appendix 2: Summary of changes from the Australian system of government finance statistics concepts, sources and methods, 2005 - describes the changes in the AGFS15 from the Australian System of Government Finance Statistics Concepts, Sources and Methods, 2005.
- Appendix 3: Departures from the international GFS standards - summarises the departures from the IMF GFSM 2014 in the AGFS15.

1.19 A glossary of terms used in the manual and index are provided at the end of this manual.

CHAPTER 2 - INSTITUTIONAL UNITS AND SECTORS

PART A - INTRODUCTION

2.1 In order to determine the boundary of the GFS system, the institutional units and sectors of an economy need to be identified. An institutional unit is defined in paragraph 2.22 of the IMF GFSM 2014 as an economic entity that is capable, in its own right, of owning assets, incurring liabilities, and engaging in economic activities and in transactions with other entities. An institutional sector is defined in paragraph 2.50 of the IMF GFSM 2014 as groups of similar kinds of institutional units according to their economic objectives, functions, and behaviour.

2.2 The Australian standard for defining institutional sectors and subsectors is the Standard Institutional Sector Classification of Australia (SISCA), which is set out in Standard Economic Sector Classifications of Australia (SESCA), 2008 (Version 1.1) (ABS cat. no. 1218.0). The SISCA standards are applied in the classification of public sector units in the GFS system in Australia.

2.3 This chapter describes the scope and coverage of the public sector, including the concepts of residence and economic territory, institutional units, institutional sectors, the different levels of government, and jurisdictions in Australian GFS. Also discussed in this chapter is government control of corporations (including a decision tree to assist with the classification of public sector units), and the practical application of sector classification principles.

Scope

2.4 The term 'scope' is used in GFS to denote the group of institutional units that define the intended boundary of a statistical system. The aim of a statistical system is to record a defined set of information relating to all of the statistical units defined as falling within the scope of that system. The term ‘in-scope units’ is often used by the ABS to describe the group of units falling within the scope of a statistical system.

2.5 The scope of the GFS system is defined as all institutional units comprising the total public sector of Australia. The SESCA defines these to be:

- All resident units that are classified to the general government sector;
- All resident corporations and quasi-corporations that are classified to the non-financial corporations sector and are controlled by government units or other public corporations (known as public non-financial corporations); and
- All resident corporations and quasi-corporations that are classified to the financial corporations sector and are controlled by government units or other public corporations (known as public financial corporations).

2.6 It is important to note that the scope of the GFS system is defined in terms of resident units. In GFS, the concept of residence is based on the concept of the economic territory of a country, rather than the legal or political concepts. The concepts of residence and economic territory of a country are further discussed in Part B of this chapter.

2.7 For the purposes of the public / private classification, government control of corporations does not include a government’s ability to exercise general legislative or regulatory powers over corporations as a group. Government authority to determine the general policy of a corporation usually comes from legislation that is specific to the individual corporation over which control is exercised. Government control of corporations is further discussed in Part G of this chapter.

Coverage

2.8 The term 'coverage' is used in GFS to denote the extent to which the defined scope of a statistical system is actually achieved in practice. Ideally, scope and coverage would be identical but there are many reasons why it may not be feasible to achieve full coverage. Under-coverage can arise because units are omitted in their entirety or because some activities of some units are not covered.

2.9 Units are omitted entirely from coverage only when the economic activity of the units is judged to be relatively insignificant and not worth the cost of collection. Units are omitted partially from coverage only when indirect sources of measuring the major part of the units' activities are available and it is not worth the cost of collecting the missing information directly.

2.10 Omitted units are few in number and consist mainly of small commodity marketing boards. Units for which partial coverage is achieved are restricted to units that are entirely or mainly funded from Commonwealth, state or territory budgets. Budget documents provide information about such units' budget allocations, which can be used to impute measures of the units' economic activity. However, this methodology does not cover any revenues that the units may raise in addition to their budget allocations and any activity that the units may fund from such revenues.

2.11 The ABS takes steps to ensure that under-coverage is not increased by changing circumstances. In particular, care is taken to ensure that there is not an increase in the level of activity of units that are not covered or an increase in the capacity of indirectly covered units to fund economic activity from their own resources. The non-coverage and indirect coverage of units do not affect the overall accuracy of GFS significantly.

PART B - RESIDENCE

2.12 Identifying the residence of an institutional unit is important for determining the coverage of the GFS system. Paragraph 2.7 of the IMF GFSM 2014 defines the residence of an institutional unit as the economic territory with which it has the strongest connection (i.e. its centre of predominant economic interest) rather than the legal or political territory.

Economic territory

2.13 Paragraph 2.8 of the IMF GFSM 2014 defines economic territory as any geographical area or jurisdiction for which statistics are required. However, the most commonly used concept of economic territory is the area under the effective economic control of a single government. Paragraph 2.9 of the IMF GFSM 2014 states that economic territory includes:

- The land area;
- Airspace;
- Territorial waters, including areas over which jurisdiction is exercised over fishing rights and rights to fuels or minerals;
- In a maritime territory, islands that belong to the territory; and
- Territorial enclaves in the rest of the world (such as embassies, consulates, military bases, scientific stations, information or immigration offices, aid agencies, central bank representative offices with diplomatic status).

Territorial enclaves

2.14 The concept of the economic territory of a country includes territorial enclaves in the rest of the world. The SESCA defines these as clearly demarcated areas of land that are physically located in other countries, but which are used by the government for diplomatic, military, scientific or other purposes. Therefore, the coverage of the Australian GFS system includes the overseas operations of Australia's embassies, consulates, trade offices, etc.

2.15 Further, paragraph 2.10 of the IMF GFSM 2014 specifies that the economic territory of a country does not include the territorial enclaves that belong to foreign governments or international organisations that are physically located within the boundaries of that country, but which are not subject to the laws of the host country. Therefore the operations of foreign embassies, consulates, trade offices, military bases, etc., within the physical boundaries of Australia are excluded from the coverage of the Australian GFS system.

Centre of predominant economic interest

2.16 In GFS, a unit's economic activity can only be attributed to one country based on residence. Therefore, every institutional unit must have a centre of predominant economic interest within an economic territory. Paragraph 2.12 of the IMF GFSM 2014 defines a centre of predominant economic interest to be a location, dwelling, place of production or other premises from which a unit engages (and intends to continue to engage) in economic activities and transactions on a significant scale indefinitely, or over a finite but long period of time. The location itself need not be fixed in the one place, so long as it remains within the economic territory of the country.

2.17 The IMF consider all general government units to be residents in their own country regardless of their physical location, however, public corporations are considered to be residents of the economies in which they operate. The SESCA specifies that unincorporated enterprises other than notional resident institutional units, are not separate from their owners, and therefore have the same residence as their owners. Notional resident institutional units are further discussed in paragraphs 2.20 and 2.21 of this chapter.

Australia's economic territory

2.18 The SESCA defines Australia's economic territory as the area under the effective control of the Australian government, specifically:

- Geographic Australia which includes Cocos (Keeling) Islands and Christmas Island;
- Norfolk Island;
- Australian Antarctic Territory;
- Heard Island and McDonald Islands;
- Territory of Ashmore Reef and Cartier Island;
- Coral Sea Islands; and
- Australia's territorial enclaves overseas.

2.19 Paragraph 2.12 of the IMF GFSM 2014 states that if a unit operates (or intends to operate) in an economic territory for one year or more, it is considered to have a centre of economic interest in that economic territory (unless the unit forms part of the territorial enclave of another country). The criterion of actual or intended location for one year or more is used as an operational definition, and is adopted in GFS to avoid uncertainty and facilitate international consistency. The SESCA indicates that ownership of land and structures within the economic territory of Australia is deemed sufficient justification to record a centre of economic interest in Australia on the grounds that the property can be used for production.

Notional resident institutional units

2.20 The SESCA states that where a non-resident owner does not have any economic interest within the economic territory of Australia other than ownership of land and structures, the ownership of the land and structures are treated as having been transferred to a notional resident institutional unit in Australia.

2.21 A notional resident unit is defined in paragraph 2.13 of the IMF GFSM 2014 as being created when the legal owner of immovable assets within an economic territory is a non-resident. Immovable assets in this context refers to assets such as land, other natural resources, buildings and structures, which are usually treated as being owned by resident units. For GFS purposes, a notional resident unit is created to reflect the receipt of the rent or rentals that accrue on those asset/s. In this situation, paragraph 2.13 of the IMF GFSM 2014 specifies that the legal owner is deemed to hold equivalent equity in the notional resident unit, and receives income from the notional resident unit in the form of property income paid abroad.

International organisations

2.22 The SESCA states that international organisations such as the United Nations (and its agencies) and the International Monetary Fund (IMF), are not considered to be residents of any economy, including those in which they are located or where they conduct their affairs. They are treated as non-residents by all economies. However, persons working for these organisations are treated as residents of the economies in which they live.

PART C - INSTITUTIONAL UNITS

2.23 A basic statistical unit that is classified by sector is known as an institutional unit. Institutional units in the Australian GFS system are assigned a number of unit classifications. These classifications are the institutional sector classification (INST), the level of government classification (LOG), the jurisdiction classification (JUR), which are discussed throughout this chapter. Paragraph 2.22 of the IMF GFSM 2014 notes that to be considered an institutional unit in it's own right, a unit must:

- Have the ability to own goods or assets and exchange these in transactions with other institutional units;
  Be able to make economic decisions and engage in economic activity for which itself is held responsible and accountable at law;
- Be able to incur liabilities on its own behalf, take on other obligations or future commitments, and to enter into contracts; and
- Be able to produce a complete set of accounts, including a balance sheet of assets, liabilities and net worth, an operating statement and a cash flow statement, or it would be possible and meaningful from both an economic and legal viewpoint to compile a complete set of accounts if required.

2.24 The SESCA states that institutional units can be established formally (such as through an act of parliament), or informally (such as a household formed by individual members sharing a dwelling), or as a specific type of unit (such as through the Corporations Act, 2001). The concept of the ABS institutional unit for GFS purposes is aligned with that of the IMF GFSM 2014 and the 2008 SNA.

2.25 Units that do not meet all of the criteria set out in paragraph 2.23 of this chapter are treated as part of their parent entity. Included are departments and agencies operating from the public accounts of the parent government. The exception to this rule is in the case of notional institutional units. These are public corporations that do not exist as separate legal entities from their collective parent government unit, but that operate autonomously in the market. To be recognised as a notional institutional unit, a unit must:

- Have the same relationship to its owners as a corporation has to its shareholders;
- Have a full set of accounts, including a statement of financial position; and
- Be a market producer (for the definition, see paragraphs 2.58 to 2.63 of this manual).

2.26 In practice, notional institutional units will only be created where they engage in significant market activity.

2.27 Artificial subsidiaries are a type of government unit that is established by government, but they cannot act independently and are simply passive holders of assets and liabilities. Artificial subsidiary units are not treated as separate institutional units, but are classified as components of the level of government that controls them unless the unit is resident in an economy different from that of its parent unit (see discussion on residence of units in paragraphs 2.12 to 2.22 of this manual). Government resident artificial subsidiaries are sometimes set up as Special Purpose Entities (SPEs) which are often legally constituted as corporations. If the SPE is a non-market producer and is controlled by another government unit, the SPE should be classified within the general government sector with the parent government unit that controls it. Further information on SPEs can be found in paragraphs 2.107 to 2.110 of this manual. Further information on artificial subsidiaries can be found in paragraphs 2.42 and 2.43 of the IMF GFSM 2014.

2.28 Another example of a resident artificial subsidiary would be a central borrowing authority (CBA) if it was established by government with the purpose of borrowing on the market and lending only to the parent unit or other general government units. Paragraph 2.44 of the IMF GFSM 2014 states that such CBAs are classified to the general government with the government unit that controls them because they merely facilitate government borrowing. However, in Australia CBAs are not treated as artificial subsidiaries, but as separate institutional units and are classified to the public financial corporations sector because their function is not restricted to borrowing and lending only to the parent unit, and they play a key part in the financial corporations sector. Please see paragraphs 2.53 and 2.54 of this manual for further discussion on CBAs.

Types of institutional units

2.29 Paragraph 2.26 of the IMF GFSM 2014 advises that the type of institutional unit used for compiling GFS must be determined by its objectives and functions, and cannot be inferred from its legal status or name alone. Australia's standard for defining institutional sectors and subsectors is the SISCA which is contained within the SESCA. There are four types of institutional units. These are:

- Corporations;
- General government units;
- Non-profit institutions; and
- Households.

Corporations and quasi-corporations

2.30 A corporation is defined in paragraph 2.31 of the IMF GFSM 2014 as an entity that is capable of generating a profit or other financial gain for its owner, is recognised by law as a separate legal entity from its owners, and is set up for the purpose of engaging in market production. All corporations are part of either the non-financial corporations sector or the financial corporations sector, depending on the nature of their primary activity.

2.31 Corporations are typically:

- Created for the purpose of market production;
- Created by processes of law that establish their existence as independent from their shareholders, including other institutional units (i.e. other corporations, household unincorporated enterprises, government units and non-profit institutions serving households) that may own shares or other equity in the corporations;
- Owned by shareholders who receive a distribution of profits in proportion to their share holdings; and
- Fully accountable at law for their actions, obligations and contracts and are liable to pay taxes (i.e. they are a legal entity).

2.32 The primary determinant for classifying a unit as a corporation in macroeconomic statistics is not its legal status, but rather the economic substance of the nature of the entity. Paragraph 2.32 of the IMF GFSM 2014 notes that the key to the correct classification of an institutional unit as a public corporation is knowing whether or not the unit is a market producer (one that produces goods and / or services at economically significant prices). In the ABS, this distinction is made on a case by case basis. Institutional units that qualify as corporations and are controlled by government units or other public corporations are classified as public corporations (as either public financial corporations or public non-financial corporations based on the nature of the activity of the unit). Only corporations that are controlled by government or other public corporations are included in GFS. Government control of corporations is further discussed in paragraphs 2.68 to 2.74 of this manual.

2.33 Paragraph 2.32 of the IMF GFSM 2014 further states that some non-profit institutions and government units have the legal status of a corporation, but are not considered public corporations for the purposes of macroeconomic statistics because they are not market producers, and so they are classified as general government units. Other non-profit institutions are legal corporations that produce for the market but they are not allowed to be a source of financial gain to their owners. Conversely, some entities with different legal titles (such as partnerships or a joint-stock company), could be considered corporations for economic statistics when they satisfy the definition of corporations.

2.34 A quasi-corporation is defined in paragraph 2.33 of the IMF GFSM 2014 as an entity which is not incorporated or otherwise legally established, but functions as if it was a corporation. Note that these units need to meet the criteria of being a separate institutional unit in their own right as per paragraph 2.23 of this manual. In GFS, quasi-corporations are treated as corporations if controlled by a government unit or another public corporation. Such a quasi-corporation can be either:

- An unincorporated enterprise controlled by a resident public sector entity that has sufficient information to compile a complete set of accounts and is operated as if it were a separate corporation and whose de facto relationship to its owner is that of a corporation to its shareholders; or
- An unincorporated enterprise controlled by a non-resident public sector entity that is deemed to be a resident institutional unit because it engages in a significant amount of production in the economic territory over a long or indefinite period of time.

2.35 Paragraph 2.34 of the IMF GFSM 2014 recommends that an entity or group of entities engaged in the same kind of production activities be treated as quasi-corporations if the entity:

- Charges prices for its outputs that are economically significant (see paragraph 2.59 of this manual for the definition);
- Is operated and managed in a similar way to a corporation; and
- Has a complete set of accounts (or is able to meaningfully construct a complete set of accounts), that enable its stock positions and flows to be separately identified and measured.

General government units

2.36 Paragraph 2.38 of the IMF GFSM 2014 describes general government units as unique kinds of legal entities established by political processes that have legislative, judicial, or executive authority over other institutional units within a given area. The principal functions of government units are to:

- Assume responsibility for the provision of goods and services to the community or individual households primarily on a non-market basis;
- Redistribute income and wealth by means of transfer;
- Engage primarily in non-market production; and
- Finance their activities primarily out of taxation or other compulsory transfers.

2.37 Paragraph 2.38 of the IMF GFSM considers the requirement of financing activities by compulsory transfers necessary to differentiate a general government unit from a non-profit institution, which may carry out the same functions as a government but obtains its funds from voluntary transfers, property income, or sales. In this context, the receipt of compulsory transfers may be indirect. For example, a local government may finance its activities with grants receivable from the Commonwealth Government. A government unit may also finance a portion of its activities in a specific period by borrowing or by acquiring funds from sources other than compulsory transfers. For example, interest revenue, incidental sales of goods and services, or the rent of subsoil assets. All general government units are part of the general government sector.

2.38 The majority of general government units are readily identifiable as their operations are mainly financed from taxation and they redistribute income by means of transfers (e.g. subsidies, grants, welfare payments), or engage in other forms of non-market production such as the provision of government services (e.g. defence, education, health services) free of charge or at nominal prices.

2.39 Statutory authorities and companies created by legislation or regulation which operate outside the public accounts, along with local government authorities, qualify individually as general government units.

2.40 Statutory authorities are entities established by the Australian Constitution or by an Act of Parliament of the Commonwealth or one of the states or territories. Statutory authorities include the Governor General of Australia and the Governor of each Australian state, each house of the parliaments of the Commonwealth, each state and territory, and each court of law. Statutory authorities are not restricted to entities created as ‘bodies corporate’, but include any other entity which is described in legislation as having been established by the legislation. Included are entities established under legislation which provides for the establishment of a class of entities (e.g. government owned companies created under corporations law, and local government authorities created under local government legislation) rather than for each entity individually. The concept also includes entities which are created as statutory offices held by individual persons, or as statutory bodies comprising several statutory offices named in the legislation.

2.41 Departmental entities include entities created as Departments of State by the instrument (e.g. proclamation, Executive Council order) required by legislation in the Commonwealth and each state or territory. However, for statistical purposes, 'departmental entities' exclude any statutory authorities which may be named as part of a department in the instrument of creation.

2.42 Each statutory authority and departmental entity that is included in the public accounts of a jurisdiction is treated conceptually as part of a wider enterprise unit comprising all such units in the jurisdiction. Conversely, with one exception, each statutory authority and departmental entity that is not included in the public accounts of a jurisdiction is treated as an individual legal entity and therefore as an enterprise. The exception concerns units that operate as an integral part of another unit (e.g. they have no separate accounts and no separate employees); such units are merged with the unit of which they form an integral part.

Non-profit institutions

2.43 Non-profit institutions (NPIs) are defined in the SESCA as legal or social entities created for the purpose of producing goods and services whose status does not permit them to be a source of income, profit or other financial gain for the units that establish, control or finance them. NPIs must have an enabling instrument which includes a clause that prohibits the NPI from distributing income, profit or other financial gain to its establishing, controlling or financing unit. This includes benefitting from the sale of assets in the event of the dissolution of the unit. The productive activities of NPIs may generate either surpluses or deficits but any surpluses they make cannot be appropriated by the establishing, controlling or financing institutional unit. For this reason, they are frequently exempted from various kinds of taxes.

2.44 The main characteristics of NPIs are they:

- Are created by processes of law that establish the NPI's separate existence from the units that establish, finance, control or manage them;
- Have purpose statements set out in articles of association;
- Are associations with members who have equal voting rights and limited liability with respect to the NPI's operations;
- Cannot distribute profits to members (the term 'non-profit institution' reflects the embargo on distribution of financial gains and is not intended to imply that NPIs cannot make a profit); and
- Are self-governing, with their direction usually vested in a group of officers, an executive committee or a similar body elected by a majority of members.

Households

2.45 A household consists of a person or a group of persons who share the same living accommodation, who pool some, or all, of their income and wealth and who consume certain types of goods and services collectively, mainly housing and food (see paragraph 2.28, IMF GFSM 2014). Individual members of households are not treated as institutional units because assets are often owned (and liabilities incurred) jointly by two or more members of a household. The income of a household is often pooled, and expenditure decisions are often made for the household as a whole. As a result, the household as a whole, including all individual members, is considered to be an institutional unit. Households fall outside the scope of the GFS system, the purpose of which is to measure government fiscal activity.

PART D - INSTITUTIONAL SECTORS

2.46 An institutional sector groups together similar kinds of institutional units according to the nature of the economic activity they undertake. The Australian economy is divided into five mutually exclusive sectors, which are described in Table 2.1 below. Of these five institutional sectors that together make up the total economy, only some units in the first three sectors listed in Table 2.1 are part of the total public sector and therefore in scope for GFS.

Table 2.1 - The institutional sectors of the Australian economy

Sector	Description	Types of institutional units that can be classified to this sector
General Government	Unique kinds of legal entities established by political processes that have legislative, judicial or executive authority over other institutional units within a given area.	General government units; Non-profit institutions
Non-financial corporations	All resident corporations and notional institutional units mainly engaged in the production of market goods and/or non-financial services and holding companies with mainly non-financial corporations as subsidiaries. Also included are NPIs that mainly engage in market production of goods and non-financial services, and investment funds investing in predominantly non-financial assets such as infrastructure and property.	Corporations; Non-profit institutions
Financial corporations	All resident corporations and notional institutional units mainly engaged in financial intermediation and provision of auxiliary financial services. Holding companies with mainly financial corporations as subsidiaries are also included, as are market NPIs that mainly engage in financial intermediation or production of auxiliary financial services.	Corporations; Non-profit institutions
Households	A group of persons who share the same living accommodation, who pool some (or all) of their income and wealth and who consume certain types of goods and services collectively, mainly housing and food.	Households
Non-profit institutions serving households (NPISH)	All resident non-market operators providing goods and services to households free or at prices that are not economically significant. Included here are NPIs that are mainly financed from household member subscriptions and produce benefits primarily for the household members and NPIs created for philanthropic purposes which are financed mainly from donations or government grants.	Non-profit institutions

Source: Columns 1 and 2 are based on paragraph 2.50 to 2.61, International Monetary Fund Government Finance Statistics Manual, 2014.

The institutional sector classification

2.47 The *institutional sector classification* (INST) used in Australia's GFS system is a standard classification which defines institutional sectors that are also included in the SESCA. The INST is shown in Table 2.2 below:

Table 2.2 - The institutional sector classification (INST)

INST	Descriptor
100	Public non-financial corporations
200	Public financial corporations
300	General government

Public non-financial corporations sector (INST 100)

2.48 *Non-financial corporations* (INST 100) are defined in paragraph 2.114 of the IMF GFSM 2014 as all resident corporations whose principal activity is the production of non-financial goods and / or non-financial services at economically significant prices. These are known as market producers (see paragraphs 2.58 to 2.63 of this manual for the definition). Non-financial services are any services that do not qualify as financial intermediation or auxiliary financial services.

2.49 All resident non-financial corporations controlled by general government units or other public corporations are part of the public non-financial corporations sector. Public non-financial corporations include corporations such as state water corporations and port authorities. This category could also include public non-profit institutions engaging in market production (such as hospitals, schools, or colleges) if they are separate institutional units and charge economically significant prices (see paragraph 2.59 of this manual for the definition).

Public financial corporations sector (INST 200)

2.50 *Financial corporations* (INST 200) are defined in paragraph 2.115 of the IMF GFSM as all resident corporations that are principally engaged in providing financial services (including insurance and pension fund services) to other institutional units. These are known as market producers (see paragraphs 2.58 to 2.63 of this manual for the definition). All resident financial corporations controlled by general government units or other public corporations are part of the public financial corporations subsector. In the GFS system, the public financial corporations sector includes:

- Public deposit-taking corporations (central bank and public deposit-taking corporations except the central bank); and
- Other public financial corporations.

2.51 Financial corporations include three types named financial intermediaries, financial auxiliaries, and captive financial institutions and money lenders. Paragraph 2.54 of the IMF GFSM 2014 identifies these as:

- Financial intermediaries - institutional units which incur liabilities on their own account for the purpose of acquiring financial assets by engaging in financial transactions on the market. The assets and liabilities of financial intermediaries are transformed or repackaged with respect to maturity, scale, risk, and the like, in the financial intermediation process. The financial intermediation process channels funds between third parties with a surplus of funds and those with a demand for funds. A financial intermediary not only acts as an agent for these other institutional units, but places itself at risk by acquiring financial assets and incurring liabilities on its own account. Financial intermediation is limited to acquiring assets and incurring liabilities with the general public or specified and relatively large groups thereof. Where the activity is limited to small groups, no intermediation takes place. Financial intermediaries include deposit-taking corporations, insurance corporations, and pension funds.
- Financial auxiliaries - financial corporations that are principally engaged in activities associated with transactions in financial assets and liabilities or with providing the regulatory context for these transactions but in circumstances that do not involve the auxiliary taking ownership of the financial assets and liabilities being transacted. They include brokers, managers of pension funds, mutual funds, etc. (but not the funds they manage), foreign exchange bureau, and central supervisory authorities.
- Captive financial institutions and money lenders - institutional units providing financial services other than insurance, where most of their assets or liabilities are not available on open financial markets. These entities transact within only a limited group of units (such as with subsidiaries) or subsidiaries of the same holding corporations or entities that provide loans from own funds provided by only one sponsor. Captive insurance corporations are the exception and are classified as insurance corporations.

2.52 Public financial corporations include institutions that undertake a central bank role, including monetary policy development, issuing national currency, acting as custodian of international reserves, and providing banking services to government. In Australia, the Reserve Bank of Australia has responsibility for monetary policy, issuing bank note currency, holding Australia's international reserves, holding reserve deposits and providing banking services to the Commonwealth. The Reserve Bank of Australia is Australia's central bank and is therefore included as a public financial corporation for GFS purposes. Also treated as public financial corporations are various housing finance schemes established by state Governments to assist first home buyers.

Central borrowing authorities

2.53 A central borrowing authority (CBA) would be a resident artificial subsidiary unit (see paragraphs 2.50 and 2.51 of this manual for the definition) established by government if its purpose was to borrow funds on the market and lend only to other general government units. Because such CBAs merely facilitate government borrowing, they would not qualify as separate institutional units and would be classified to the parent government unit in the general government sector.

2.54 In Australia, CBAs have been established by some state and territory governments primarily to provide finance for public corporations, quasi-corporations and other units owned or controlled by the government, and to arrange investment of their surplus funds. Although the CBAs' lending is often confined to the public sector in their jurisdiction, in Australia they also engage in financial intermediation activity for investment purposes and participate in the financial management activities of the parent government. Therefore, the CBAs of each Australian state and territory government are treated as public financial corporations and not as artificial subsidiaries in the general government sector. The exception is the Australian Capital Territory's CBA which does not qualify as a separate institutional unit and is treated as part of the general government sector.

General government sector (INST 300)

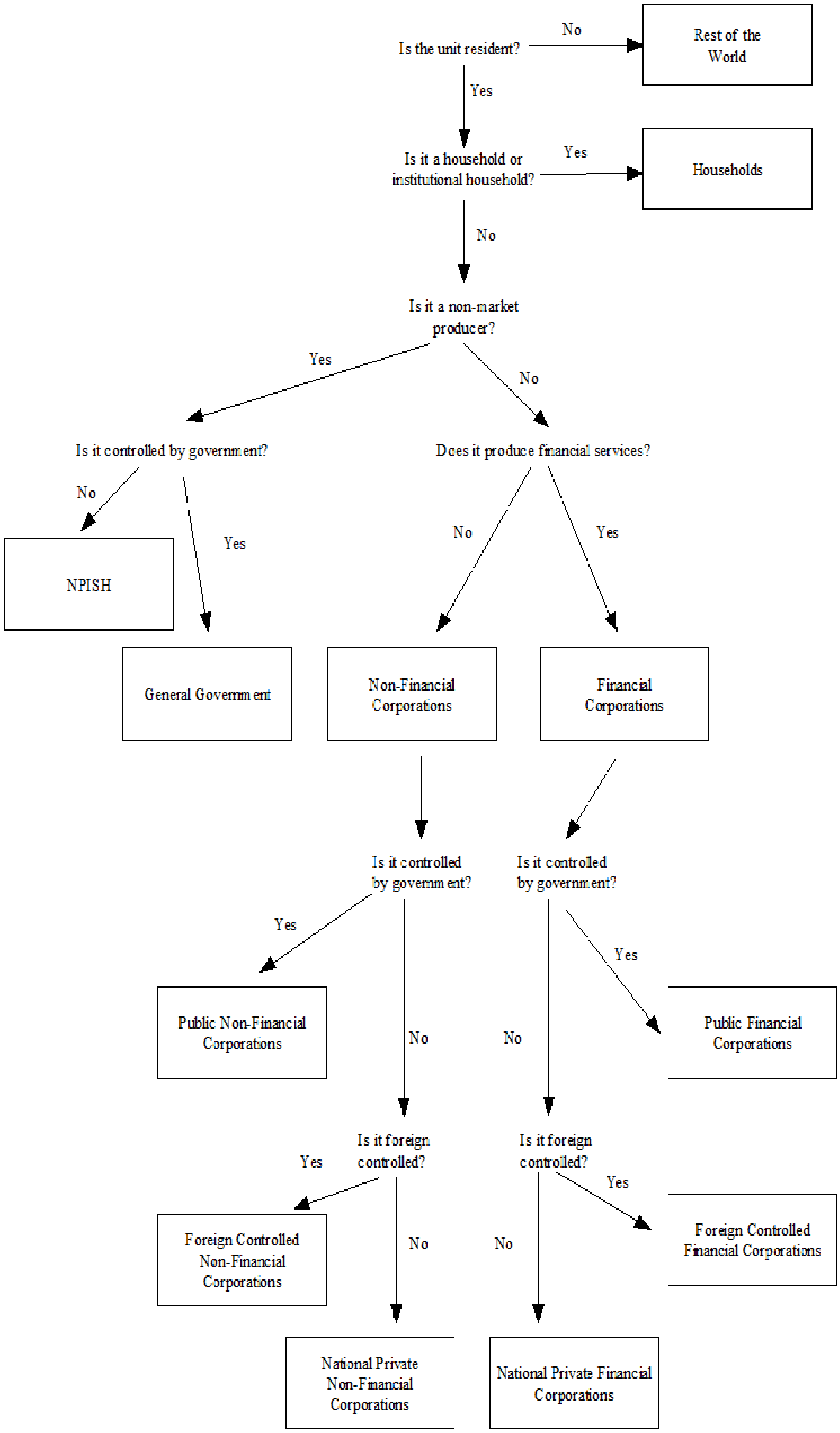
2.55 The *general government (GG) sector* (INST 300) is defined in paragraph 2.58 of the IMF GFSM 2014 as consisting of resident institutional units that fulfil the functions of government as their primary activity. These institutional units perform the principal economic functions of government, in addition to fulfilling their political responsibilities and their role of economic regulator. The GG sector consists of all the government units at the national level of government (in Australia this consists of the Commonwealth Government and control not further defined units), each state and territory government, and all local government authorities and NPIs engaged in non-market production that are controlled by government units.

2.56 The GG sector includes courts, government departments, and the Governor General's Office. Excluded from the GG sector are government owned corporations and quasi-corporations (see paragraphs 2.32 and 2.33 of this manual for definition) engaged in market production. However, paragraph 2.59 of the IMF GFSM 2014 states that unincorporated enterprises owned by government units that are not quasi-corporations remain integral parts of those units, so they must be included in the GG sector. For further information on general government units, see paragraphs 2.43 to 2.49 of this manual.

PART E - ALLOCATING INSTITUTIONAL UNITS TO SECTORS

2.57 Using the concepts covered in this chapter of residence and institutional units, the following decision tree in Diagram 2.1 assists compilers of GFS to apply the appropriate sector classification to entities. The concepts of government control and market versus non-market production, which are used to allocate units to sectors, are also discussed in this section. The decision tree should be followed from the top and should answer the sequential questions asked to indicate whether the unit should be classified to the Rest of the World (ROW), Households, Non-profit Institutions Serving Households (NPISH), the General Government, Public Non-Financial Corporation or Public Financial Corporation sectors.

Diagram 2.1 - Decision tree for sector classification of public entities



Market and non-market producers

2.58 To determine if a public sector unit is a public corporation or general government unit, it is necessary to classify it as a market producer (public corporation) or non-market producer (general government). The following indicators are useful when determining whether a government entity is a market or non-market producer. Note that macro-economic statistics are compiled using a principles based framework in Australia. Therefore these indicators are not ranked or weighted as they would be under a rules based approach. Usually two or three of the indicators are used collectively to classify units, although in some cases a single indicator could be sufficient to determine the type of producer. These indicators are designed to consider both the producer's and consumer's point of view to assess whether economically significant prices are being charged:

- What proportion of total production costs (including subsidies) are covered by total sales?
- What government interventions are in place to influence the supply of goods / services?
- Does the producer compete with other providers and/or is the consumer's choice of provider influenced by government interventions?

Market producer

2.59 A market producer is defined in paragraph 2.65 of the IMF GFSM 2014 as an institutional unit that provides all or most of its output to others at prices that are economically significant. Paragraph 2.66 of the IMF GFSM 2014 defines economically significant prices as prices that have a significant effect on the amounts that producers are willing to supply and on the amounts purchasers wish to buy. These prices normally result when:

- The producer has an incentive to adjust supply either with the goal of making a profit in the long run or, at a minimum, covering capital and other costs; and
- Consumers have the freedom to purchase or not purchase and make the choice on the basis of the prices charged.

2.60 A comparison between the receipts from sales and the costs of production of goods and / or services sold of an institutional unit over a number of years is recommended in paragraph 2.73 of the IMF GFSM 2014 to determine whether prices charged for the production of goods and / or services can be considered to be economically significant. This will assist to determine whether the institutional unit should be classified as a market or a non-market producer. In this context, the proportion of production costs covered by sales is a strong indicator of whether the unit is a market or non-market producer. It is generally expected that market producers will cover their production costs through sales. Therefore, the lower the ratio the more likely it is that the unit is a non-market producer, conversely the higher the ratio the higher the likelihood that the unit is a market producer. Further to the production costs to sales ratio, prices are considered economically significant if consumers are free to choose whether to buy, and how much to buy, on the basis of the prices charged.

2.61 The value of sales from sales of goods and services should be measured before any taxes applicable to the products are added (i.e. ETF 1121 to ETF 1124), less all payments received from government (i.e. *revenue from current grants and subsidies* (ETF 1141)) unless they would be granted to any producer undertaking the same activity (see paragraphs 2.73 and 2.74 of the IMF GFSM 2014). Own-account production is not considered to be part of sales in this context because this activity does not generate receipts from sales.

2.62 The costs of production include *superannuation expenses* (ETF 1211 to ETF 1213), *other employee expenses* (ETF 1221 to ETF 1229), *production tax expenses* (ETF 1231), *use of goods and services* (ETF 1233), *depreciation* (ETF 1241 or ETF 1242). Like for sales, the calculation of the costs of production exclude all costs associated with own-account capital formation (classified to the appropriate category within ETF 76). Subsidies receivable on production are not deducted from the costs of production.

2.63 Once it is determined that the institutional unit is indeed a market producer, then it can be further classified as either a non-financial corporation or a financial corporation based on the nature of its activity.

Non-market producer

2.64 A non-market producer is an institutional unit that provides all or most of its output to others for free or at prices that are not economically significant (see paragraph 2.59 of this manual for the definition). A comparison between the receipts from sales and the production costs of goods and / or services sold over a multi-year period needs to be undertaken to assist in identifying whether the unit in question should be classified as a non-market producer.

2.65 Paragraph 2.71 of the IMF GFSM 2014 states that corporations in receipt of substantial government financial support or other risk-reducing factors such as substantial government guarantees, respond to changes in the economic conditions differently from corporations without such advantages. This is because their budget constraints are softer, and so these types of entities are more likely to be classified as non-market producers.

2.66 Government owned entities supplying goods and services to government are treated as non-market producers if the entity is a dedicated provider of ancillary services. Paragraph 2.45 of the IMF GFSM 2014 defines an ancillary activity as a supporting activity providing services within an enterprise in order to create the conditions within which the principal or secondary activities can be carried out. Ancillary services include keeping records, managing and paying employees, cleaning, maintenance, transportation, and security. Ancillary activities produce mainly services, but in exceptional cases they may sometimes produce goods that do not become a physical part of the marketable products produced by an an enterprise. Entities providing ancillary services generally do not satisfy the cirteria to be an institutional unit.

2.67 It can often be assumed that the producer is not a market producer if the unit provides the goods and services in the absence of competition with private producers, and when the choice of supplier to government is not based on price. This is true regardless of whether the supplier is the only supplier, and whether the government is the only customer of the supplier.

Government control of corporations

2.68 A corporation is considered to be a public corporation if a government unit, another public corporation, or some combination of government units and public corporations controls the entity. Paragraph 2.107 of the IMF GFSM 2014 states that control of a corporation is defined as the ability to determine the general corporate policy of the corporation. The expression 'general corporate policy' in this context is taken to mean the key financial and operating policies relating to the corporation’s strategic objectives as a market producer, but does not necessarily include the direct control of the day-to-day activities or operations of a particular corporation.

2.69 In some cases, the existence of government control may not be clear. In Australia, such is the case with some superannuation funds that governments have established for the benefit of their employees. Legislation places responsibility for the day-to-day operation of the superannuation funds with a board of trustees that is created as a separate legal entity. The establishing governments generally receive no monetary benefits from the funds. Although the establishing government has the power, under the legislation, to appoint and dismiss some or all of the trustees, the boards of trustees are typically not under the direction of government, and are required to act in the beneficiaries’ interests and not those of the government. Accordingly, the funds are not considered to be under government control. Although the circumstances of individual funds may vary, in the interest of uniformity, all superannuation funds with arrangements broadly similar to those described are included in the private sector.

2.70 Instances can arise in which the public and private sectors share ownership of a corporation. In such cases, the corporation is allocated to the sector that has effective control over the determination of the activities and policy of the corporation.

2.71 Because the arrangements for the control of corporations can vary considerably, the IMF GFSM 2014 has provided guidance to assist in determining whether government control exists over a corporation. Box 2.2 of the IMF GFSM 2014 identifies eight indicators of government control of a corporation. These indicators are not a definitive list of factors, but show the most important and likely factors to consider. Although a single indicator could be sufficient to establish control, in other cases, a number of separate indicators may collectively indicate control. Box 2.1 below reproduces the eight indicators of control which may be used in GFS to determine if a corporation is controlled by government.

Box 2.1 - Government control of corporations

In GFS, control is defined as the ability to determine the general corporate policy of the corporation. To determine if a corporation is controlled by the government, the following eight indicators of control should be considered:

- Ownership of the majority of the voting interest - owning a majority of shares will normally constitute control when decisions are made on a one-share one-vote basis. The shares may be held directly or indirectly, and the shares owned by all other public entities should be aggregated. If decisions are not made on a one-share one-vote basis, the classification should be based on whether the shares owned by other public entities provide a majority voice.

- Control of the board or other governing body - the ability to appoint or remove a majority of the board or other governing body as a result of existing legislation, regulation, contractual, or other arrangements will likely constitute control. Even the right to veto proposed appointments can be seen as a form of control if it influences the choices that can be made. If another body is responsible for appointing the directors, it is necessary to examine its composition for public influence. If a government appoints the first set of directors but does not control the appointment of replacement directors, the body would then be part of the public sector until the initial appointments had expired.

- Control of the appointment and removal of key personnel - if control of the board or other governing body is weak, the appointment of key executives, such as the chief executive, chairperson and finance director, may be decisive. Non-executive directors may also be relevant if they sit on key committees such as the remuneration committee determining the pay of senior staff.

- Control of key committees of the entity - subcommittees of the board or other governing body could determine the key operating and financial policies of the entity. Majority public sector membership on these subcommittees could constitute control. Such membership can be established under the constitution or other enabling instrument of the corporation.

- Golden shares and options - a government may own a "golden share," particularly in a corporation that has been privatised. In some cases, this share gives the government some residual rights to protect the interests of the public by, for example, preventing the company selling off some categories of assets or appointing a special director who has strong powers in certain circumstances. A golden share is not of itself indicative of control. If, however, the powers covered by the golden share do confer on the government the ability to determine the general corporate policy of the entity in particular circumstances and those circumstances currently existed, then the entity should be in the public sector from the date in question. The existence of a share purchase option available to a government unit or a public corporation in certain circumstances may also be similar in concept to the golden share arrangement discussed above. It is necessary to consider whether, if the circumstance in which the option may be exercised exists, the volume of shares that may be purchased under the option and the consequences of such exercise means that the government has "the ability to determine the general corporate policy of the entity" by exercising that option. An entity's status in general should be based on the government's existing ability to determine corporate policy exercised under normal conditions rather than in exceptional economic or other circumstances such as wars, civil disorders, or natural disasters.

- Regulation and control - the borderline between regulation that applies to all entities within a class or industry group and the control of an individual corporation can be difficult to judge. There are many examples of government involvement through regulation, particularly in areas such as monopolies and privatised utilities. It is possible for regulatory involvement to exist in important areas, such as in price setting, without the entity ceding control of its general corporate policy. Choosing to enter into or continue to operate in a highly regulated environment suggests that the entity is not subject to control. When regulation is so tight as to effectively dictate how the entity performs its business, then it could be a form of control. If an entity retains unilateral discretion as to whether it will take funding from, interact commercially with, or otherwise deal with a public sector entity, the entity has the ultimate ability to determine its own corporate policy and is not controlled by the public sector entity.

- Control by a dominant public sector customer or group of public sector customers - if all of the sales of a corporation are to a single public sector customer or a group of public sector customers, there is clear scope for dominant influence. The presence of a minority private sector customer and/or open competition from private producers to supply goods and services to the public sector usually implies an element of independent decision-making by the corporation so that the entity would not be considered controlled. In general, if there is clear evidence that the corporation could not choose to deal with non-public sector clients because of the public sector influence, then public control is implied.

- Control attached to borrowing from the government - lenders often impose controls as conditions of making loans. If the government imposed controls through lending or issuing guarantees that are more than would be typical when a healthy private sector entity borrows from a bank, control may be indicated. Similarly, control may be implied if only the government was prepared to lend to the corporation.

Although a single indicator could be sufficient to establish control, in other cases, a number of separate indicators may collectively indicate control.

Source: Based on Box 2.2, International Monetary Fund Government Finance Statistics Manual, 2014.

Government control of non-profit institutions

2.72 Non-profit institutions (NPIs) are defined in the SESCA as legal or social entities created for the purpose of producing goods and services and whose status does not permit them to be a source of income, profit or other financial gain for the units that establish, control, or finance them. NPIs must have an enabling instrument which includes a clause that prohibits the NPI from distributing income, profit or other financial gain to its establishing, controlling or financing unit. Paragraph 2.61 of the IMF GFSM 2014 defines non-profit institutions serving households (NPISH) as resident non-market non-profit institutions (NPIs) that are not controlled by government. These types of units provide goods and services to households for free or at prices that are not economically significant (see paragraph 2.59 of this manual for the definition of economically significant prices). It is important to note that NPISH are out of scope for GFS.

2.73 Examples of NPISH include political parties, trade unions, consumers' associations, churches or religious institutions, aid agencies, charities, and environmental groups. Excluded from NPISH are bodies serving similar functions that are controlled by government units. These types of entity are classified as part of the general government sector. Further excluded from NPISH are non-profit institutions engaged in market production (see paragraphs 2.58 to 2.67 of this manual for definitions of market and non-market producers). These types of entities are classified as financial or non-financial corporations depending on the nature of the business activity. Paragraph 2.61 of the IMF GFSM 2014 states that non-market NPIs controlled by foreign governments are classified as NPISHs in the host economy.

2.74 NPIs may engage in market or non-market production (see paragraphs 2.58 to 2.67 of this manual for the definition of market and non-market producers). Paragraph 2.37 of the IMF GFSM 2014 contains the following guidance on NPIs that are involved in market or non-market activities:

- NPIs engaged in market production charge economically significant prices for their services. Schools, colleges, universities, clinics, hospitals, etc. constituted as NPIs are market producers when they charge fees that are based on their production costs and that are sufficiently high to have a significant influence on the demand for their services. Government payments to these NPIs are treated not as transfers but as payments for services rendered. There are no shareholders with a claim on the profits or equity of the NPI. Because of their status as NPIs, they are also able to raise significant additional funds through donations from persons, corporations, or governments. Nevertheless, NPIs that are engaged in market production and are controlled by government units must be treated as public corporations so long as they produce goods and services for the market at economically significant prices.
- Some market NPIs restrict their activities to serving a particular subset of other market producers. These consist of chambers of commerce, agricultural, manufacturing or trade associations, employers' organisations, research or testing laboratories, or other organisations or institutions that engage in activities that are of common interest or benefit to the group of enterprises that control and finance them. These NPIs are usually financed by contributions or subscriptions from the group of enterprises concerned. Such subscriptions are treated not as transfers but as payments for services rendered and these NPIs are classified as market producers. These market NPIs are, like corporations and quasi-corporations, members of either the non-financial corporations sector or the financial corporations sector.
- NPIs that are engaged in non-market production, and are controlled by government. Schools, colleges, universities, clinics, hospitals, etc. constituted as NPIs are non-market producers only when they charge fees at prices that are not economically significant. These units are treated as general government units.
- The remaining NPIs, those that produce goods and services which are not sold at economically significant prices and are not controlled by government, are classified as a special group of units called NPIs serving households (NPISHs). These fall outside of the scope of the GFS system.

PART F - LEVEL OF GOVERNMENT

2.75 In the AGFS 2015, there are three levels of government known as the national, state and territory, and local levels of government. The Level of Government (LOG) classification used in Australia's GFS system is a standard ABS classification that is included in the SESCA. This classification divides the total public sector into the subsectors of government on the basis of role and function and underpins the production of GFS. The LOG classification separates the total public sector to reflect the administrative and legal arrangements of government in Australia for output purposes. Although conceptually 'control not further defined' is not a level of government by convention, this has been allocated as a level of government in the Australian GFS classification system. The corresponding levels of the total public sector in Australia are described in Table 2.3 as:

Table 2.3 - Level of government classification (LOG)

LOG	Descriptor
1	Commonwealth
2	State / Territory [1]
3	Local
4	Control not further defined [2]

[1] Includes Norfolk Island
[2] Includes public universities

National (LOG 1 and LOG 4)

2.76 The National subsector is compiled for GFS output purposes and consists of the institutional units of the Commonwealth (LOG 1) (including the non-market NPIs that are controlled by the Commonwealth Government), and control not further defined units (LOG 4). The Commonwealth Government is Australia's central government which has the authority to impose certain taxes on all resident institutional units and non-resident units that are engaged in economic activity within Australia. The political responsibilities of the Commonwealth Government include national defence, the maintenance of law and order, making transfers to other levels of government, and providing collective goods and services for the benefit of the community as a whole.

2.77 All public sector units that have a national role or function are classified to the National LOG. Units are generally considered to have a national role or function if the political authority underlying their functions extends over the entire territory of Australia or the functions involve policies that are primarily of concern at a national level. Currently, all Commonwealth Government controlled public sector units are classified to the National LOG. Such units include government units controlled by the Commonwealth Government, non-market NPIs that are controlled by the Commonwealth Government, and public non-financial and financial corporations (including the Reserve Bank of Australia) controlled by the Commonwealth Government.

Control not further defined (LOG 4)

2.78 Units that are not controlled by the Commonwealth Government can also be classified to the National LOG. Currently, the only such cases are units that have a national role or function. These are called control not further defined units (LOG 4), formerly known as multi-jurisdictional units. These type of units are public sector units where jurisdiction is shared between two or more governments, or where the classification of a unit to a jurisdiction is otherwise unclear. The main control not further defined units currently classified to the National LOG are Australian public universities which, as described above, are mainly financed and partly controlled by the Commonwealth Government but are subject to a degree of control by the establishing state or territory government. On balance, Australian public universities are considered to be implementing policy (i.e. tertiary education) that is primarily of concern at a national level.

State / Territory (LOG 2)

2.79 The State / Territory (LOG 2) subsector consists of institutional units which exercise the functions of government directly below that of the Commonwealth Government. State or territory governments have fiscal, legislative and executive authority over areas of Australia that have been geographically divided for political and administrative purposes. State or territory governments have the authority to levy taxes on resident institutional units and non-resident units that are engaged in economic activity within their area of jurisdiction. State / territory governments also have the authority to distribute revenue from taxes or the funding from Commonwealth Government transfers, although some of the transfers received from the Commonwealth Government may be tied to specific purposes.

2.80 All public sector units that have a state or territory role or function are classified to the State / Territory LOG. Units are generally considered to have a state or territory role or function if the political authority underlying their functions is limited to a state or territory, or the functions involve policies that are primarily of concern at a state or territory level. The fact that a unit is controlled by a state or territory government serves as evidence (but is not necessarily conclusive) that the unit has a state or territory role or function.

2.81 Currently, all state or territory controlled public sector units are classified to the State / Territory LOG. Such units include government units controlled by a state or territory government, non-market NPIs that are controlled by a state or territory government, and all public non-financial and financial corporations that are controlled by a state or territory government. Norfolk Island is included within the scope of the State / Territory LOG, but is currently not included within the coverage of the GFS system

Local (LOG 3)

2.82 The Local (LOG 3) subsector consists of institutional units which exercise the functions of government directly below that of the state or territory governments. Local governments have fiscal, legislative and executive authority over areas of Australian states and territories that have been geographically divided for political and administrative purposes. The function of local government is limited in nature and heavily reliant on transfers from higher levels of government to fund the range of services they provide to institutional units and local residents within their locality.

2.83 All public sector units that have a local role or function are classified to the Local LOG. Units are generally considered to have a local role or function if the political authority underlying their functions is limited to a local government area or the functions involve policies that are primarily of concern at a local level. The fact that a unit is established as, or directly controlled by, a local government authority serves as evidence (but is not necessarily conclusive) that the unit has a local role or function.

2.84 Currently, all local government authorities and the units they control are classified to the Local LOG. Such units include each local government authority constituted under one of the various local government acts (or the equivalent) in each state and the Northern Territory (for example municipal councils, land councils, counties, municipalities, towns, townships, boroughs, and districts), all non-market NPIs that are controlled by a local government unit, and all public non-financial and financial corporations that are controlled by a local government unit. The Australian Capital Territory has no separate local government.

PART G - JURISDICTIONS

2.85 The jurisdiction classification (JUR) divides the total public sector into classes based on the government which exercises control over a particular institutional unit. The classes refer to the governments of the Commonwealth and the individual Australian states and territories and are called jurisdictions.

2.86 In this context, the term 'jurisdiction' is indicative of the public sector units over which the Commonwealth Government or an individual state or territory government has direct control or (in the case of local government authorities) the government which administers the legislation under which the authority is established. The categories making up the jurisdiction classification are as shown in Table 2.4 below as:

Table 2.4 - Jurisdiction classification (JUR)

JUR	Descriptor
0	Commonwealth
1	New South Wales
2	Victoria
3	Queensland
4	South Australia
5	Western Australia
6	Tasmania
7	Northern Territory
8	Australian Capital Territory
9	Norfolk Island

2.87 Although Norfolk Island is conceptually included within the scope of Australia's economic territory (for the definition, see paragraphs 2.18 to 2.19 of this manual), it is currently not included within the coverage of the GFS system.

2.88 In most cases, classifying units to JUR is straightforward. There are units, however, for which jurisdiction is shared between two or more governments, or the classification of a unit to a jurisdiction is otherwise unclear. Such units are called control not further defined units (see paragraph 2.78 of this manual for the definition).

PART H - TOTAL PUBLIC SECTOR

2.89 Of the five institutional sectors together make up the total economy, only some units in the first three sectors listed in Table 2.1 are relevant in the GFS system. Together, the general government sector, public non-financial corporation sector, and public financial corporation sector equate to the total public sector. The NPISH sector consists of resident non-market, not-for-profit institutions that are not controlled by government, and are therefore out of scope for GFS. Households represent a group of persons who share the same living accommodation, and who pool some or all of their wealth and consume certain types of goods and services collectively (such as housing and food). Because the primary aim of the GFS system is to measure the financial activities of governments, the remainder of this chapter will focus on units that make up the total public sector. The total public sector and its relation to other institutional sectors of the economy is shown in Table 2.5 below:

Table 2.5 - The Total Public Sector and its relation to other institutional sectors of the economy

<table>
<tr><th>General Government Sector</th><th>Non-Financial Corporations Sector</th><th>Financial Corporations Sector</th><th>Household Sector</th><th>Non-Profit Institutions Serving Households Sector</th></tr>
<tr><td>Commonwealth
State / Territory</td><td>Public Corporations</td><td>Public Corporations</td><td rowspan="2">Private</td><td rowspan="2">Private</td></tr>
<tr><td>Local
Non-market NPIs controlled by government</td><td>Private Corporations</td><td>Private Corporations</td></tr>
</table>

= Total Public Sector

Source: Based on Figure 2.2 International Monetary Fund Government Finance Statistics Manual 2014.

The total public sector

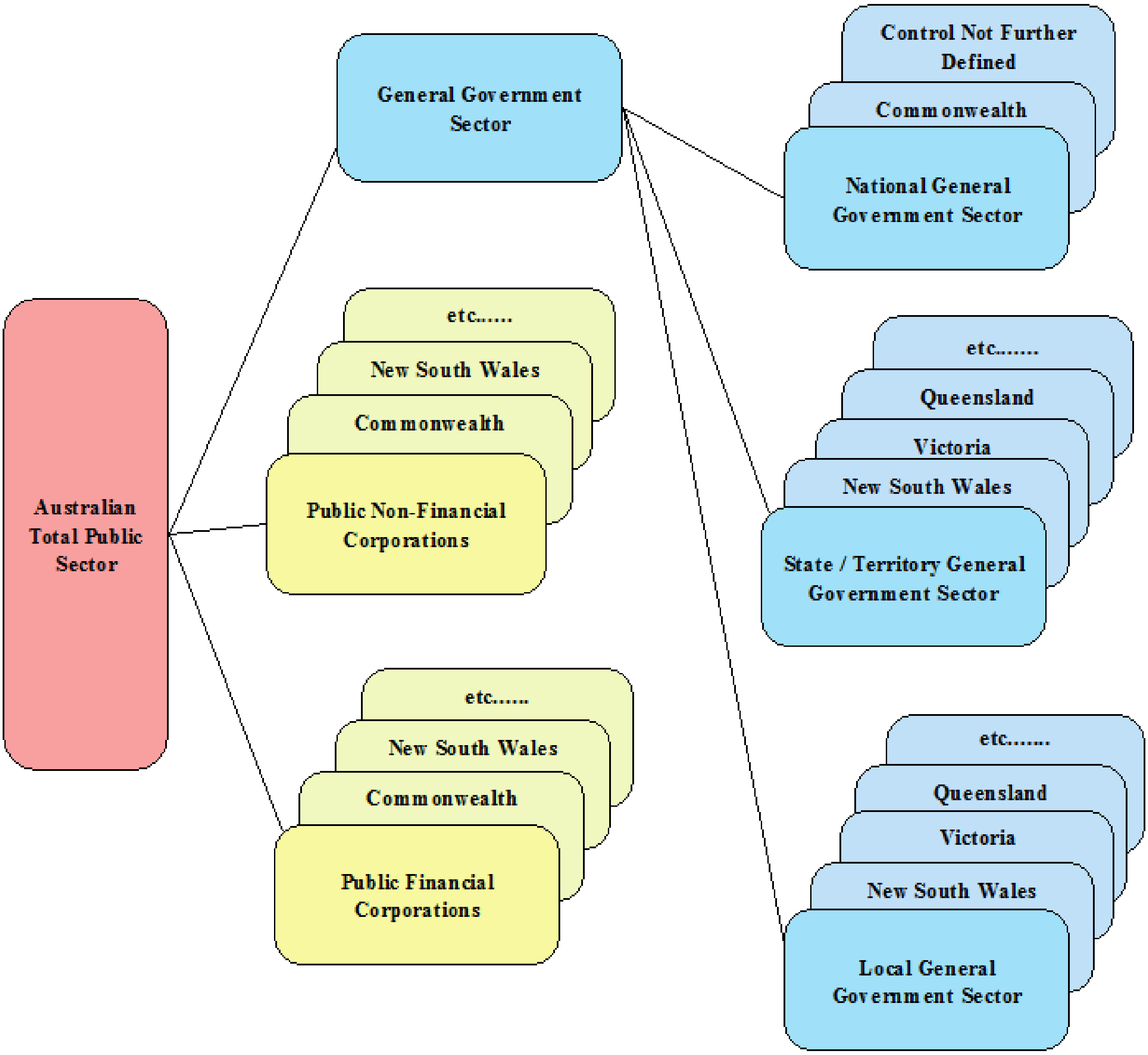
2.90 The total public sector comprises:

- Government units that are legal entities established by political processes that have legislative, judicial or executive authority over other institutional units within a given areas; and
- All other institutional units and notional institutional units controlled by government.

2.91 In the GFS system, the fiscal activities of general government units, and any fiscal activities of public non-financial corporations and public financial corporations represent the fiscal activities of the total public sector

2.92 In Australia, the total public sector is made up of the different levels of government including the national (made up of the Commonwealth Government and control not further defined units), state and territory, and local governments. Also included are public non-financial corporations and public financial corporations as shown below in Diagram 2.2 below:

Diagram 2.2 - The Australian total public sector



PART I - PRACTICAL APPLICATION OF SECTOR CLASSIFICATION PRINCIPLES

2.93 Paragraphs 2.125 to 2.162 of the IMF GFSM 2014 contain descriptions and practical application for the sector classification of types of units typically encountered during the compilation of GFS. Some of this guidance has been reproduced in the remaining paragraphs in this chapter below.

Identifying quasi-corporations

2.94 Quasi-corporations (as defined in paragraphs 2.35 and 2.36 of this manual), satisfy the criteria to be separate institutional units and function as if they were corporations. In macroeconomic statistics they are treated as if they were corporations; that is, as institutional units separate from the units to which they legally belong. Quasi-corporations that are owned or controlled by government units are grouped with public corporations in the public non-financial or public financial corporations sectors.

2.95 The existence of (or possibility to meaningfully) construct a complete set of accounts for the entity (including balance sheets) is a necessary condition for it to be treated as a separate institutional unit. Also, the government must grant management of the entity discretion to operate as if it were a separate corporation. In practice this should apply both with respect to the management of the production process and also the use of funds, including maintaining their own working balances and business credit, and being able to finance some or all of their capital formation out of their own saving, financial assets, or borrowing. The ability to distinguish flows of income and finance between quasi-corporations and general government units implies that, in practice, their operating and financing activities must be separable from government revenue or financing statistics, despite the fact that they are not separate legal entities.

2.96 Entities such as national railways, port authorities, post offices, government publishing offices, public theatres, museums, swimming pools, hospitals, education centres, and other entities that provide goods and services on market basis, should be treated as public corporations if these units satisfy the criteria to be quasi-corporations. Similar market producers that do not satisfy the requirements to be recognised as a quasi-corporation are treated as a market establishment integrated with the general government unit that controls them. In cases where government producers of similar goods and services sell their products at non-market prices, they remain a part of the non-market activities of general government.

Distinguishing head offices and holding companies

2.97 Large groups of corporations may be created whereby a parent corporation (or government in the case of public corporations) controls several subsidiaries, some of which may control subsidiaries of their own. Each individual corporation that satisfies the criteria to be an institutional unit should be classified as a separate institutional unit, whether or not it forms part of a group. The parent corporation in such circumstances is often referred to as a holding company. There are two different types of such units:

2.98 The first type is the head office of such groups of corporations that is actively engaged in production. This class of corporations includes overseeing and managing other units of the company or enterprise; undertaking the strategic or organisational planning and decision making role of the company or enterprise; exercising operational control; and managing the day-to-day operations of their related units. Such units are allocated to the non-financial corporations subsector unless all or most of their subsidiaries are financial corporations, in which case they are treated by convention as financial auxiliaries (see paragraph 2.66 of this manual for definition) in the financial corporations sector.

2.99 The second type of corporation is a unit that holds the assets of subsidiary corporations but does not undertake any management activities. This class of corporations includes the activities of holding companies, that is, units that hold the assets (owning controlling-levels of equity) of a group of subsidiary corporations and whose principal activity is to own the group. The holding companies in this case do not provide any other service to the enterprises in which the equity is held, that is, they do not administer or manage other units. Similarly to the classification of head offices in paragraph 2.98 above, holding companies are allocated to the non-financial corporations subsector unless all or most of their subsidiaries are financial corporations, in which case they are treated by convention as financial auxiliaries (see paragraph 2.66 of this manual for definition) in the financial corporations sector.

Identifying restructuring agencies

2.100 Restructuring agencies are entities set up to sell corporations and other assets, and for the reorganisation of companies. They may also serve for defeasance of impaired assets or repayment of liabilities of insolvent entities, often in the context of a banking crisis. These entities are known by various names such as restructuring corporations, privatisation vehicles, asset management companies, liquidation corporations, bridge banks, or bad banks.

2.101 Some institutional units specialise in the restructuring of corporations, either non-financial or financial. These corporations may or may not be controlled by government. Restructuring agencies may be long-standing or created for this special purpose. Governments may fund the restructuring operations in various ways, either directly, through capital injections (capital transfer, loan or acquisition of equity) or indirectly, through granting guarantees. If the restructuring agency is controlled by government or another public corporation, it is classified in the public sector. Whether a restructuring unit forms part of the general government sector or is a public corporation is determined by whether it is a market or non-market producer. Given that the economically significant price criterion may be insufficient for this purpose because restructuring units have, by nature, little output, the following general criteria should be considered:

- A unit that serves only government, or primarily government, is more likely to be included as a non-market producer within the general government sector than one that serves other units as well.
- A unit that sells or buys financial assets at a value other than market values is more likely to be in the general government sector than not.
- A unit that takes on low risks because it acts with strong public financial support and, by law or effectively, on behalf of the government, is likely to be included within the general government sector.
- A restructuring agency may undertake the reorganisation of public or private sector entities or the indirect management of privatisation. Two cases may be considered:

1. The restructuring unit is a genuine holding company controlling and managing a group of subsidiaries and only a minor part of its activity is dedicated to channelling funds from one subsidiary to another on behalf of the government and for public policy purposes. This unit is more likely to be a market producer and classified according to the predominant sector of the subsidiaries, and the transactions made on behalf of the government rerouted through the general government unit using the service provided.
2. The restructuring unit (whatever its legal status) acts as a direct agent of the government and is not a market producer. Its main function is to redistribute national income and wealth, channelling funds from one unit to the other. The restructuring unit should be classified in the general government sector.

2.102 Another example of a restructuring agency is one mainly concerned with impaired assets, mainly in the context of a banking or other financial crisis. Such a restructuring agency must be analysed according to the degree of risk it assumes, considering the degree of financing provided by the government. Again, two cases may be considered:

- The restructuring agency borrows on the market at its own risk to acquire financial or non-financial assets that it actively manages. In this case the unit is more likely to be a market producer and classified as a financial corporation.
- The restructuring agency deliberately purchases assets at above market prices with direct or indirect financial support from the government. It is primarily engaged in the redistribution of national income (and wealth), does not act independently of government or place itself at risk, and therefore is not a market producer and should be classified in the general government sector.

Identifying financial protection schemes

2.103 The financial infrastructure of an economy may include financial protection schemes to protect the assets of financial institutions' clients. These schemes are often referred to as deposit guarantee schemes or deposit insurance schemes. The main types of schemes provide protection of deposits or protect policyholders against failing life and non-life insurance schemes. These entities are known by various names, but to determine their sector classification the nature of their activities should be considered on a case by case basis.

2.104 A financial protection scheme is classified as part of the general government, as a public financial corporation, or a private financial corporation outside the public sector according to the same sectorisation principles that apply to any other entity, as described earlier in this chapter.

2.105 A resident financial protection scheme may satisfy the criteria to be an institutional unit or not. If it is not an institutional unit, it is treated as an integral part of the institutional unit that controls it.

2.106 If the fees are set by government, or when the government or a public corporation has control over the financial protection scheme through other means, the scheme is to be included in the public sector. The following criteria should be considered in determining whether the scheme is part of the general government sector:

- If fees payable to government for such a protection scheme are compulsory, that is, if beneficiaries cannot opt out of the scheme, the scheme is to be included in general government sector;
- If fees payable to government are clearly out of proportion to the service provided (fees are not determined based on the associated risks covered), the scheme is to be included in general government sector;
- If fees payable to government are not set aside in a fund, or can be used for other purposes the scheme is to be included in general government sector; and
- If the fees are proportional to the cost of the service provided, and the scheme is an institutional unit, it is classified as an insurance corporation operating a fund that functions on insurance rules may indicate proportionality and the existence of a standardised guarantee scheme.

Identifying special purpose entities

2.107 While there is no internationally agreed upon definition of a special purpose entity (SPE), some typical features are that it has little physical presence, is related to another corporation or government, and is often resident in a territory other than the territory of residence of its parent unit.

2.108 Governments may set up SPEs for financial convenience. For example, the SPE may be involved in fiscal or quasi-fiscal activities (including securitisation of assets, borrowing, etc.). Resident SPEs that function only in a passive manner relative to general government and that carry out fiscal and quasi-fiscal activities do not satisfy the criteria to be institutional units and are therefore not treated as separate institutional units in macroeconomic statistics - they are treated as part of general government regardless of their legal status. Resident SPEs acting independently, acquiring assets and incurring liabilities on their own behalf, and accepting the associated risk, are treated as separate institutional units and are classified to a sector according to their principal activity.

2.109 SPEs that are resident in a different country than their controlling government are always classified as separate institutional units in the economy where they are established. When such entities exist, care must be taken to reflect the fiscal activities of government accurately. All flows and stock positions between the general government unit and the non-resident SPE should be recorded in the accounts for general government and the rest of the world when they occur.

2.110 A government may create a non-resident SPE to undertake government borrowing or incur government outlays abroad for fiscal purposes. Even if there are no actual economic flows recorded between the government and the SPE related to these fiscal activities, flows and stock positions should be imputed in the accounts of both the government and the rest of the world to reflect the fiscal activities of the government undertaken by the SPE.

Identifying joint ventures

2.111 Many public sector units enter into arrangements with private entities (e.g. a public-private partnership) or other public sector units to undertake a variety of activities jointly. The joint venture could be a market or non-market producer. Joint operations can be structured broadly as one of three types: jointly controlled units, referred to here as joint ventures; jointly controlled operations; and jointly controlled assets.

2.112 A joint venture involves the establishment of a corporation, partnership, or other institutional unit in which, legally, each party has joint control over the activities of the joint venture unit. The joint venture unit operates in the same way as other units except that a legal arrangement between the parties establishes joint control over the unit. As an institutional unit, the joint venture may enter into contracts in its own name and raise finance for its own purposes. Such a joint venture maintains its own accounting records.

2.113 The participants to a joint venture may be public sector and/or private sector units. To properly decide the sector classification of the joint venture in macroeconomic statistics, it must be determined which unit has economic control of the joint venture. Given the nature of a joint venture (created legally with joint control), the principal question to be considered here is whether the effective economic control of the joint venture establishes a public or a private unit:

- If a joint venture operates as a non-market producer, then the government is in effective control and it is classified as part of the general government sector.
- If the joint venture is a market producer, it is treated as a public or private corporation according to whether it is or is not controlled by a government unit. Normally, the percentage of ownership will be sufficient to determine control. If the public and private units own an equal percentage of the joint venture, the other indicators of control must be considered.
- Joint operating arrangements can be in the form of jointly controlled operations or jointly controlled assets. When public sector units enter into joint operating arrangements without establishing separate institutional units, there are no units requiring classification; however, the recording should reflect the proper economic ownership of assets. Also, any sharing arrangements of revenue and expense should be recorded in accordance with the provisions of the governing contract. For example, two units may agree to be responsible for different stages of a joint production process or one unit may own an asset or a complex of related assets but both units agree to share revenue and expense.

Identifying sinking funds

2.114 A sinking fund is a separate account, which may be an institutional unit or not, that is made up of segregated contributions provided by the unit(s) that makes use of the fund (the “parent” unit) for the gradual redemption of the parent unit’s debt. A sinking fund may also be established to provide for major repairs or replacements. Aside from eventually extinguishing all government debt in a prudent and orderly manner, sinking funds may be meant to inspire confidence, supporting the market for government securities.

2.115 Public sector sinking funds are classified to sectors according to whether they are separate institutional units and, if so, whether they provide their services at economically significant prices (see paragraph 2.34 of this manual for the definition).

- Sinking funds that are separate institutional units and provide services as market producers are classified as public financial corporations.
- Sinking funds that are separate institutional units and provide services as non-market producers are classified as general government units.
- Sinking funds that are not separate institutional units are classified with the unit that controls them (i.e. the parent unit).

2.116 A variety of practices exist among sinking funds as to both their operation and the degree of control exercised by the parent unit (such as government):

- Some sinking funds retire or purchase only the parent unit’s securities for which they are established. Such sinking funds are normally not separate institutional units and are classified with the unit that controls them.
- Some sinking funds may have been assigned other responsibilities, such as the conduct of government lending programs or even the collection of earmarked taxes. Such sinking funds are normally not separate institutional units and are classified with the unit that controls them.
- Other sinking funds may purchase and sell securities of other governments or institutions (domestic or external) usually seeking securities that have similar maturity dates. Such sinking funds may well be institutional units providing services on a market basis and are classified as public financial corporations.

Identifying market regulatory agencies

2.117 Market regulatory agencies act on behalf of a government (or a regional organisation with governments as its members), and influence the market for specific goods or services directly and/or indirectly. These agencies influence the market directly by acting as buyers and sellers of the goods or services and influence the market indirectly through regulations, rulings, compliance laws or standards, to impact the production, price, and marketing of specific products. The regulations may cover the terms and conditions of supplying the goods and services and in particular the price allowed to be charged and / or to whom the goods and services are distributed. It is most common for a regulatory agency to control agricultural products, monopolistic markets, or, in some cases, natural resources.

2.118 The nature of these market regulatory agencies may differ. The nature of each agency should be investigated to decide the sector classification according to sectorisation principles. At the one end of the spectrum, some agencies are merely distributing subsidies, while others may have an administrative, advisory, standard or price setting, or collective advertising function. At the other end of the spectrum, the agency may have total control over all aspects of the production and distribution process, including being the only legal buyer/seller of the products.

2.119 Following the residence principle, those market regulatory agencies that meet the definition of an international or regional organisation are not included in the statistics of the individual member countries, but their activities might be reflected in regional data. By convention, financial regulatory (supervisory) bodies are considered as financial corporations when they are separate institutional units. For those resident market regulatory agencies involved with non-financial goods and services, the following guidance applies:

- Those agencies that do not satisfy the criteria to be an institutional unit remain an integral part of the general government unit that controls them. This would usually be the case for those agencies exclusively or principally involved in the distribution of subsidies on behalf of government.
- Those agencies that satisfy the criteria to be institutional units, and that are mainly non-market producers, such as performing some administrative functions, setting standards, or overseeing and regulating the production process, should be classified in the general government sector. Although the agency may have active participation of members from the market it serves, government control is established by the enabling instruments and non-market nature of these entities.
- Those agencies that satisfy the criteria to be an institutional unit, and that are mainly a market producer should be classified in the non-financial corporations subsector. These market regulatory agencies, whose sole or principal activity is to buy, hold, and sell the goods or services at economically significant prices, are market producers.

2.120 Where market regulatory agencies are involved in a mixture of activities such as distributing subsidies and buying, holding, and selling goods and services, the sector classification may require careful consideration. If it is possible to separately identify a quasi-corporation that is undertaking market activities it should be classified in the non-financial corporations subsector. The non-market activities should be classified in the general government sector. If it is not possible to distinguish two institutional units, the majority of the activities of the entity should determine the sector classification.

Identifying development funds and / or infrastructure companies or entities

2.121 Internationally, some governments create special entities / funds to finance and develop the economy in general, develop specific sectors of the economy, or upgrade specific facilities such as infrastructure. These types of agencies / funds may be involved in various aspects of development, ranging from only providing the finances for development activities, to being involved in all aspects of the actual development and construction of the infrastructure or facilities. Various terms, such as 'development banks', 'investment funds', 'fiscal stabilisation funds', or 'infrastructure companies' are used to describe these agencies. Whatever they are called, the sector classification should not be based on their description, but rather on the economic nature of the entities.

2.122 Using the criteria set out earlier in this chapter, compilers should determine whether the entity is a separate institutional unit in the public sector, or whether it is not an institutional unit and should be classified as an integral part of the unit that controls it.

2.123 These entities may be established in the legal form of a corporation, but it is necessary to decide whether or not to classify them as institutional units. The financing arrangements of these entities usually involve the issuance of debt instruments, but could also include some other sources of financing. The customers that they serve, the financing arrangements, and the economic ownership of the assets created by these entities could often be indicative of the risks assumed by these entities, and could help to determine their status as an institutional unit. The following guidance applies:

- If the entity cannot act independently from its parent and is a passive holder of assets and liabilities, it is classified as an artificial subsidiary. If it is a resident unit, it is classified as a component of the level of government that controls them (i.e. as part of the parent unit). These entities are not treated as separate institutional units, unless they are resident in an economy different from that of its parent unit.
- If the entity borrows on the market and then lends only to general government units, it is not involved in financial intermediation and should be regarded as a resident artificial subsidiary.
- If government assumes economic ownership of the non-financial assets created, it is an indication that the development fund is just a device to borrow and acquire the assets, and the entity should be treated as a resident artificial subsidiary.
- If these entities meet the definition of an institutional unit and are government controlled market producers of goods or services, they should be classified as a corporation. More specifically, they will be a public financial corporation only if they are involved in providing financial services. They will be public non-financial corporations only if they produce and sell the infrastructure assets at economically significant prices in market transactions.

CHAPTER 3 - FLOWS, STOCK POSITIONS AND ACCOUNTING RULES

PART A - INTRODUCTION

3.1 The basic elements of Australia's GFS system are its measures of the economic flows to and from in-scope units, and the economic stock positions held by those units. Although GFS provides economic measures, the GFS system uses accounting based rules to govern the ways in which these basic elements are recorded.

3.2 This chapter discusses flows, stock positions and the accounting rules used in GFS. This chapter also examines derived measures for GFS, the netting of flow and stock positions and consolidation.

Economic flows and stocks

3.3 Paragraph 3.1 of the IMF GFSM 2014 describes economic flows as monetary expressions of economic actions and effects of events that result in changes in economic value within an accounting period; and economic stocks as measures of economic value at a specific point in time. All of the entries recorded in GFS are either economic flows or economic stock positions and are integrated, meaning that all changes in stock positions can be fully explained by the flows which occur during the respective reporting period. Each stock position in GFS can be explained by the following formula in Box 3.1 below.

Box 3.1 - GFS stock position formula

Economic stock positions in GFS can be measured using the following formula:

$$S^0 + F = S^1$$

where:

S^0 = the value of a specific stock position at the beginning of a reporting period;
S^1 = the value of the same stock position at the end of a reporting period; and
F = the net value of all related flows during the period.

3.4 The formula in Box 3.1 simply shows that the value of any stock position held by a unit at a given time is equal to the cumulative value of all flows affecting that stock position that have occurred since the unit first acquired the particular type of asset or liability. The GFS framework analyses all the economic flow and stock positions during a reporting period to derive net worth and other measures.

3.5 The term 'economic stock positions' is often referred to simply as 'stocks' or 'assets and liabilities' in GFS. Likewise, the term 'economic flows' is often referred to simply as 'flows' in GFS.

PART B - ECONOMIC FLOWS

3.6 Economic flows are defined in paragraph 3.4 of the IMF GFSM 2014 as the creation, transformation, exchange, transfer, or extinction of economic value. They involve changes in the volume, composition, or value of a unit’s assets, liabilities and net worth. A flow can consist of a single event, such as the receipt of a tax payment from a taxpayer, or can relate to the cumulative value of a set of events over the accounting period, such as the continuous accrual of interest expense on a government bond.

3.7 There are two types of economic flows recognised in the GFS system. These are known as:

- transactions; and
- other economic flows.

Transactions

3.8 A transaction is defined in paragraph 3.5 of the IMF GFSM 2014 as an economic flow that is an interaction between institutional units by mutual agreement or through the operation of the law, or an action within an institutional unit that is analytically useful to treat like a transaction, often because the unit is operating in two different capacities. In this context, mutual agreement is intended to mean that there was prior knowledge of the flow and consent given by each unit to enter into the transaction, but does not necessarily mean that the units entered into the transaction voluntarily.

3.9 Paragraph 3.5 of the IMF GFSM 2014 also states that some transactions (such as the payment of taxes) are enforced by law. Despite their compulsory nature, tax payments are regarded as mutually agreed interactions between the government and taxpayers, and are therefore treated as transactions. This is because there is collective recognition and acceptance by the community of the legal obligation to pay taxes. Similarly, the actions necessary to comply with judicial or administrative decisions may not be undertaken voluntarily, but because they are taken with prior knowledge and consent of the parties involved, these too are considered transactions in GFS.

3.10 The GFS system also recognises as transactions, certain flows that occur within in-scope units where a unit is viewed as operating simultaneously in two different economic capacities. Therefore, flows such as depreciation are recorded as transactions in GFS because the unit who owns the relevant asset is seen as simultaneously acting as both the owner of the depreciating asset and as the consumer of the service provided by the asset. Another example of an internal or intra-unit flow which is recognised as a transaction in GFS is the run-down of inventories in calculating non-employee expenses or use of goods and services.

3.11 The types of unit interactions intended to be excluded from the definition of a transaction in GFS include events such as the illegal seizure or destruction of a unit's property by another unit.

3.12 All transactions can be recorded as either exchanges or transfers in the GFS system.

Exchanges

3.13 An exchange is defined in paragraph 3.9 of the IMF GFSM 2014 as a transaction where one unit provides a good, service, asset, or labour to a second unit and receives a good, service, asset or labour of the same value in return. Compensation of employees, purchases of goods and services, the incurrence of interest expenses, and the sale of an asset such as an office building are all considered to be exchanges in GFS.

3.14 Exchange transactions do not include entitlements to collective services or benefits, which are considered to be transfers. This is because the amount of collective service or benefit that may eventually be receivable by an individual unit is not proportional to the amount payable. Taxes and non-life insurance claims are examples of such transactions classified as transfers due to the collective nature of the benefits.

Transfers

3.15 A transfer is defined in paragraph 3.10 of the IMF GFSM 2014 as a transaction in which one institutional unit provides a good, service, or asset to another unit without receiving from the latter any good, service, or asset in return as a direct counterpart. This type of transaction is also referred to as being 'unrequited', or a 'something for nothing' transaction. Transfers can also arise where the value provided in return for an item is not economically significant or is much below its current market value. General government units engage in a large number of transfers which may be compulsory or voluntary in nature. Government grants, government subsidies, non-life insurance claims and taxes are all considered to be transfers in GFS.

3.16 Paragraph 3.13 of the IMF GFSM 2014 states that taxes are treated as transfers in GFS, even though the units making these payments may receive some benefit from services provided by the government unit receiving the taxes. For example, in principle no one can be excluded from sharing in the benefits provided by collective services such as public safety. In addition, a taxpayer may even be able to consume certain individual services provided by government units. However, it is usually not possible to identify a direct link between the tax payments and the benefits received by individual units. Moreover, the value of the services received by a unit usually bears no relation to the amount of the taxes payable by the same unit.

3.17 Paragraph 3.14 of the IMF GFSM 2014 also specifies that there is uncertainty if the contributing unit will receive any benefits and, if it does receive benefits, they may bear no relation to the amount of the premiums previously paid. Non-life insurance premiums and claims are also treated as transfers in GFS. This type of premium entitles the units making the payment to benefits only if one of the events specified in the insurance contract occurs. That is, one unit pays a second unit for accepting the risk that a specified event may occur to the first unit. These transactions are considered transfers because in the nature of the insurance business, they distribute income between policyholders to those who claim, as opposed to all policyholders who contribute.

3.18 In GFS, transfers may be either current or capital in nature.

Capital transfers

3.19 Capital transfers are defined in paragraph 3.16 of the IMF GFSM 2014 as transfers in which the ownership of an asset (other than cash or inventories) changes from one party to another; or that oblige one or both parties to acquire or dispose of an asset (other than cash or inventories); or where a liability is forgiven by the creditor. Capital transfers are typically large and infrequent, but capital transfers cannot be defined in terms of size or frequency. Cash transfers involving disposals of non-cash assets (other than inventories) or acquisition of non-cash assets (other than inventories) are also considered to be capital transfers. A capital transfer results in a commensurate change in the stock position of assets of one or both parties to the transaction.

3.20 A transfer in kind without a charge is a capital transfer when it consists of:

- the transfer of ownership of a non-financial asset (other than inventories);
- the forgiveness of a liability by a creditor when no corresponding value is received in return; and
- major non-recurrent payments in compensation for accumulated losses or extensive damages or serious injuries not covered by insurance policies.

3.21 A transfer of cash is a capital transfer when it is linked to (or conditional on) the acquisition or disposal of a non-financial produced asset by one or both parties to the transaction.

Current transfers

3.22 Current transfers are defined in paragraph 3.17 of the IMF GFSM 2014 as all transfers that are not capital transfers. Current transfers directly affect the level of disposable income and influence the consumption of goods or services. That is, current transfers reduce the income and consumption possibilities of the donor and increase the income and consumption possibilities of the recipient. For example, social benefits, subsidies and food aid are current transfers.

3.23 Paragraph 3.18 of the IMF GFSM 2014 states that it is possible that some cash transfers may be regarded as capital transfers by one party to the transaction and as current transfers by the other party. In order to ensure that a donor and a recipient do not treat the same transaction differently, a cash transfer should be classified as capital for both parties even if it involves the acquisition or disposal of an asset, or assets, by only one of the parties. When there is doubt about whether a transfer should be treated as current or capital, it should be treated as a current transfer.

Combinations of exchanges and transfers

3.24 Some transactions appear to be exchanges but are actually combinations of an exchange and transfer. Paragraph 3.11 of the IMF GFSM 2014 states that in such cases, a transaction should be partitioned (see explanation in paragraph 3.31 to 3.32 of this manual for the definition) and recorded as two separate transactions, one that is only an exchange and one that is only a transfer. An example of this type of transaction is where a general government unit sells an asset at a price that is clearly less than the market value of the asset, or at a price that is clearly above the market value of the asset. In this example, the transaction should be divided into an exchange at the asset's market value, and a transfer equal in value to the difference between the sale price and the market value.

Monetary and non-monetary transactions

3.25 The GFS system also includes transactions in which the final consideration is cash (known in GFS as monetary transactions), as well as transactions in kind (known in GFS as non-monetary transactions).

Monetary transactions

3.26 Monetary transactions are defined in paragraph 3.8 of the IMF GFSM 2014 as those in which one institutional unit makes a payment (or receives a payment), incurs a liability (or receives an asset), to (or from) another institutional unit stated in units of currency. In GFS, all flows are recorded in monetary terms, but the distinguishing feature of a monetary transaction is that the parties involved express their agreement in monetary terms. For example goods or services are usually purchased (or sold) at a given number of units of currency per unit of the good or service. All monetary transactions are interactions between two institutional units, recorded as either an exchange or a transfer (see paragraphs 3.15 to 3.18 of this manual for the definition).

Non-monetary transactions

3.27 Non-monetary transactions are defined in paragraph 3.19 of the IMF GFSM 2014 as transactions that are not initially stated in units of currency. These include all transactions that do not involve any cash flows, such as barter, in kind transactions, and certain internal transactions. For GFS purposes these transactions must be assigned a monetary value because GFS records flows and stock positions expressed in monetary terms. The entries therefore represent values that are indirectly measured or otherwise estimated. The values assigned to non-monetary transactions have a different economic implication than do monetary payments of the same amount, as they are not freely disposable sums of money. Nevertheless, to have a comprehensive and integrated set of accounts, it is necessary to assign the best estimate of current market values to the items involved in non-monetary transactions.

3.28 Paragraphs 3.21 to 3.25 of the IMF GFSM 2014 give the following examples of non-monetary transactions:

- Barter transactions - where two units exchange goods, services, or assets other than cash of equal value. For example, a government unit may agree to trade a parcel of land in an industrial area to a private corporation for a different parcel of land that the government will use as a national park, or between nations governments may trade strategic natural resources for another kind of product or service.
- Remuneration in kind - this occurs when an employee is compensated with goods, services, or assets other than money. Types of compensation that employers commonly provide without charge or at reduced prices to their employees may include meals and drinks, uniforms, housing services, transportation services, or child care services.
- Other payments in kind - these occur when payment is made in the form of goods and services rather than money. A payment to settle a liability can be made in the form of goods, services, or non-cash assets rather than money. For example, a government unit may agree to settle a claim for past-due taxes if the taxpayer transfers ownership of land or non-financial produced assets to the government.
- Transfers in kind - these may be used to increase efficiency, or to insure that the intended goods and services are consumed. For example, aid after a natural disaster may be more effective and be delivered faster if it is provided in the form of medicine, food, and shelter instead of money. Also, a general government unit might provide medical or educational services in kind to ensure that the need for those services is met.

Rearrangement of certain GFS transactions

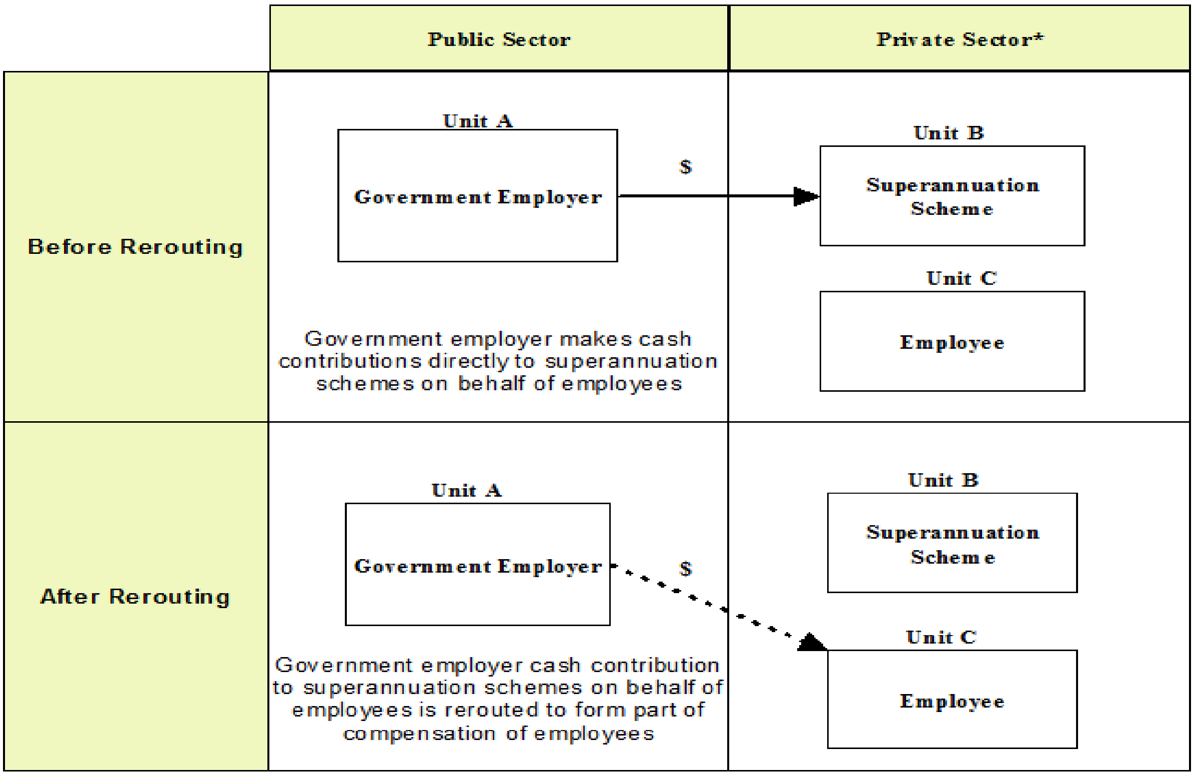
3.29 Some transactions are modified in macroeconomic statistics to properly reflect their underlying economic nature and substance more clearly. The following definitions and discussions regarding rerouting, partitioning and reassignment appear in paragraphs 3.28 to 3.30 in the IMF GFSM 2014, and have been reproduced below.

Rerouting

3.30 Rerouting records a transaction as taking place through channels that differ from the actual ones, or as taking place in an economic sense when no actual transactions take place. Rerouting is often required when a unit that is in fact a party to a transaction does not appear in the actual accounting records because of administrative arrangements. Two kinds of rerouting often occur:

- In the first kind of rerouting, a direct transaction between unit A and unit C is recorded as taking place indirectly through a third unit B. For example, if government employees are enrolled in a superannuation scheme, accounting records may show the government unit making employer contributions directly to the superannuation scheme on behalf of its employees. However in macroeconomic statistics, these contributions are part of the compensation of employees and should be recorded as being paid to the employee. In such a case it is necessary to reroute the payments so that the government is seen as paying the employees, who then are deemed to make payments of the same amount to the superannuation scheme. As a result of the rerouting, these contributions are included as part of the employee expenses of government - see Diagram 3.1 below.

Diagram 3.1 - Rerouting of government employer contributions to superannuation schemes.



* Transactions and balances within the private sector are outside the scope of GFS and are not shown here.

- In the second kind of rerouting, a transaction of one kind from unit A to unit B is recorded with a matching transaction of a different kind from unit B to unit A. For example, when a non-resident SPE of government borrows abroad, transactions should be imputed in the accounts of both the government and the non-resident SPE as if the SPE has extended a loan to government, and government has invested the corresponding amount in the SPE. This rearrangement of the transactions reflects government's involvement in the non-resident SPE which would otherwise not be captured in government accounts.

Partitioning

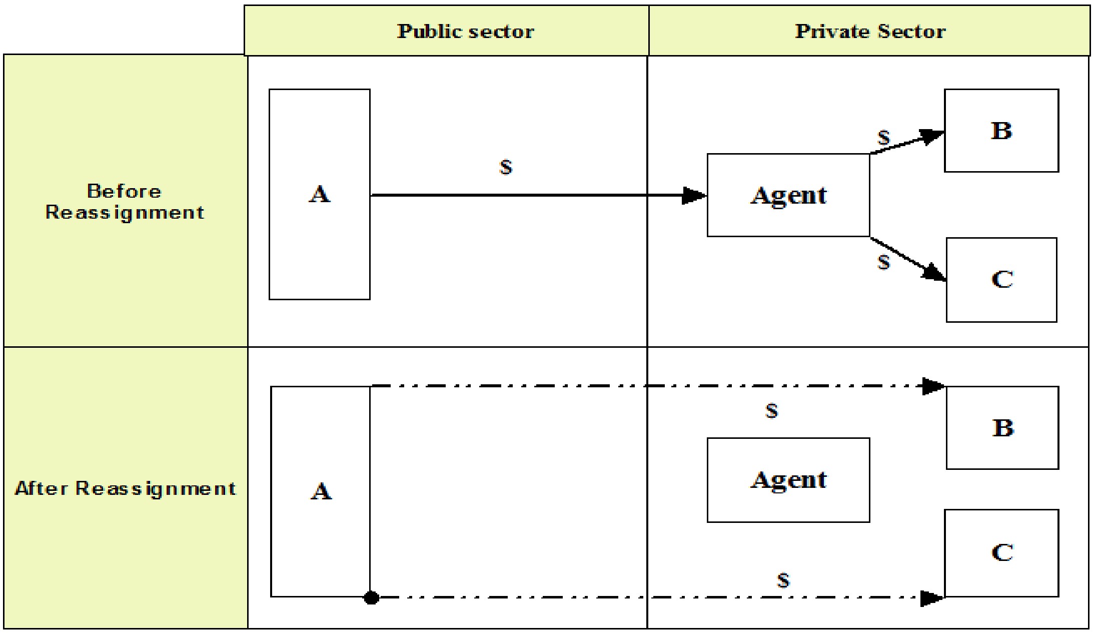
3.31 The IMF uses the term partitioning to refer to situations where a single transaction is recorded as two or more differently classified transactions. Partitioning may be required in cases where it is logical from an accounting perspective to collect data as a single transaction, but for GFS purposes the transaction must be split into two or more transactions to be correctly recorded for economic purposes.

3.32 An example of where partitioning may be appropriate in GFS is when a general government unit acquires an asset at above or below its current market price. If the acquisition of the asset by government is part of a competitive process, then the asset can be said to have been acquired at the current market price and no partitioning is required. However, if the acquisition of the asset is a deliberate action by government (e.g. as part of a bailout operation) and there is clear evidence that the amount paid for the asset is above or below the market value of the asset, then the transaction is partitioned into an exchange transaction to record the value of the market value of the asset, and a transfer transaction under *assets acquired below* *market value* (ETF 1152, NFAC, COFOG-A, SDC) and the difference would be recorded as *assets donated* (ETF 1262, NFAC, COFOG-A, SDC).

Reassignment

3.33 Reassignment records transactions arranged by third parties on behalf of others as taking place as if directly by the principal parties involved. Paragraph 3.30 of the IMF GFSM 2014 indicates that reassignment is required when one unit arranges for a transaction to be carried out between two other units, generally in return for a fee from one or both parties to the transaction. In this case, one unit acts as an agent for another unit. In GFS, the transaction must be recorded exclusively in the accounts of the two (or more) parties involved in the transaction and not in the accounts of the third party facilitating the transaction - see Diagram 3.2 below.

Diagram 3.2 - Reassignment of the transactions



*** This diagram shows an example of transactions for a government unit (unit A) using a private sector agent to make a payment to two private sector entities (entity B and entity C) before and after reassignment.**

Other Economic Flows

3.34 In GFS, changes in the value of assets or liabilities that do not result from transactions are referred to as other economic flows. Other economic flows are flows that do not meet the definition of a transaction (see paragraph 3.8 to 3.12 of this manual for the definition). Paragraph 3.31 of the IMF GFSM 2014 describes other economic flows as those flows where the value of assets or liabilities change due to a naturally occurring event such as an earthquake, flood or fire. In these cases, the change in the value of the assets and / or liabilities need to be taken into account for GFS purposes even though they have not resulted from a transaction, and so they are recorded as other economic flows. Other economic flows are discussed in further detail in Chapter 11 of this manual.

3.35 In GFS there are two major categories of other economic flows. These are described as holding gains and losses and other changes in the volume of assets and liabilities.

Holding gains and losses

3.36 Holding gains or losses (which are also referred to as 'revaluations' in GFS) are defined in paragraph 3.33 of the IMF GFSM 2014 as changes in the monetary value of assets or liabilities resulting from changes in the level and structure of market prices, assuming that the asset or liability has not changed qualitatively or quantitatively. Holding gains or losses accrue purely as a result of holding an asset or liability over time, without transforming it in any way. Holding gains or losses can apply to any assets or liabilities held for any length of time during the accounting period. Any gains or losses made on the sale of assets are shown in output as holding gains or losses and not as GFS revenues.

3.37 Holding gains and losses on assets and liabilities include changes resulting from exchange rate movements. The GFS basis for valuing stocks and flows is at their respective market values. Therefore in concept, holding gains and losses are continuously generated as market prices change with market activity, whether the holding gain or loss is realised or not. Holding gains or losses often occur on financial assets such as shares and securities that are traded on financial markets and are subject to exchange rate fluctuations.

3.38 Further discussion on holding gains and losses may be found in Chapter 11 of this manual.

Other Changes in the Volume of Assets and Liabilities

3.39 Economic flows that do not result from transactions or holding gains or losses are known as other changes in the volume of assets and liabilities (also sometimes referred to as 'other volume changes' in GFS). Other changes in the volume of assets and liabilities are events that bring about the addition of assets or liabilities to the GFS balance sheet or the removal (or part-removal) of assets or liabilities from the GFS balance sheet, and result in a change to GFS Net Worth.

3.40 Economic flows due to other changes in the volume of assets and liabilities cover a wide variety of events. Paragraph 3.35 of the IMF GFSM 2014 lists the three most common categories of events that result in other changes in the volume of assets and liabilities. These are:

I. Events that involve the appearance or disappearance of economic assets on the GFS balance sheet other than by transactions. In these cases, an other volume change is recorded when certain assets and liabilities enter and leave the GFS balance sheet through events other than by transactions. Examples include increases to the GFS Net Worth through mineral discoveries, or reductions in GFS Net Worth due to the unilateral writing off of bad debts by creditors.

II. External events (exceptional and unexpected) that impact on the economic benefits derivable from assets and corresponding liabilities. Examples include the reduction of GFS Net Worth due to the destruction of assets by fire or some other catastrophe, or the depletion of natural assets (e.g. forests, fisheries) as a result of physical removal or use.

III. Changes in classification. An example is when a change in the nature of the operations of a unit means it has to be transferred from General Government and reclassified as a Public Financial Corporation or a Public Non-Financial Corporation.

3.41 Further discussion on other volume changes may be found in Chapter 11 of this manual.

PART C - ECONOMIC STOCK POSITIONS

3.42 An economic stock position is defined as the total holdings of assets and / or liabilities at a certain point in time. Paragraph 3.36 of the IMF GFSM 2014 indicates that stock positions are recorded in the GFS balance sheet at the beginning of an accounting period and again at the end of an accounting period, and are connected by the economic flows which occur during the accounting period. All changes in the position of stocks are explained by transactions and other economic flows which take place during an accounting period.

3.43 In order to measure stock positions, it is necessary to define the asset boundary for GFS purposes. In GFS, the boundary for assets is limited to economic assets from which economic benefits accrue to the owners. These economic assets are further split into financial assets and non-financial assets. In GFS, all liabilities are financial in nature and so this further distinction is not necessary.

Assets and liabilities

3.44 An asset is defined in paragraph 3.42 of the IMF GFSM 2014 as a store of value representing a benefit or series of benefits accruing to the economic owner by holding or using the resource over a period of time. It is a means of carrying forward value from one accounting period to another. Paragraph 3.43 of the IMF GFSM 2014 specifies that only economic assets are recorded in the GFS system and they appear in the balance sheet of the unit that is the economic owner of the asset. Personal attributes such as reputation or skill, which are sometimes described as an asset, are not recognised as such in GFS.

Economic assets

3.45 An economic asset is defined in paragraph 3.43 of the IMF GFSM 2014 as resources over which ownership rights are enforced and from which economic benefits may flow to the owners. The economic benefits derived from the ownership of an economic asset consist of primary income derived from the right to use, rent out, or otherwise generate income, and / or any holding gains that are realised by disposing of the asset. Paragraph 3.36 of the IMF GFSM 2014 lists the economic benefits that may be derived from an asset as including the:

- ability to use assets, such as buildings or machinery, in production;
- generation of services, for example, renting out produced assets to another entity;
- generation of property income (e.g., interest and dividends received by the owners of financial assets); and
- potential to sell and thus realise holding gains.

Ownership of assets

3.46 There are two types of ownership recognised in GFS, legal ownership and economic ownership.

Legal ownership

3.47 The legal owner of resources such as goods and services, natural resources, assets, and liabilities is defined in paragraph 3.38 of the IMF GFSM 2014 as the institutional unit entitled by law and sustainable under the law to claim the benefits associated with the resource. Sometimes the government may claim legal ownership of a resource on behalf of the community at large. To be recognised in the GFS framework, a resource must have a legal owner, either on an individual or collective basis.

Economic ownership

3.48 The economic owner of resources such as goods and services, natural resources, assets, and liabilities is defined in paragraph 3.39 of the IMF GFSM 2014 as the institutional unit entitled to claim the benefits associated with the use of these resources by virtue of accepting the associated risks. In most cases, the economic owner and the legal owner of a resource are the same. Where they are not, it is understood that the legal owner has passed responsibility for the risk involved in using the resource in an economic activity to the economic owner as well as associated benefits. In return, the legal owner accepts another package of risks and benefits from the economic owner. In GFS, when the expression 'ownership' or 'owner' is used and the legal and economic owners are different, the reference should generally be understood to be to the economic owner.

3.49 Paragraph 3.40 of the IMF GFSM 2014 states that the government may claim legal ownership of a resource on behalf of the community at large, such as territorial waters. If this is the case, the benefits also accrue to the government on behalf of the community at large. Therefore, the government is both the legal and economic owner of these resources. However, governments may share the benefits with other entities, but by virtue of accepting the majority of the risks, become the economic owner of a resource. For example, in the case of public-private partnerships (see Chapter 13 of this manual for definition); economic ownership can be vested with government when government accepts the majority of the risks.

Financial Assets

3.50 In GFS, economic assets are recorded in the balance sheet and take the form of financial assets or non-financial assets.

3.51 Financial assets are defined in paragraph 3.48 of the IMF GFSM 2014 as economic assets which take the form of financial claims on other economic units and gold bullion held by monetary authorities as a reserve asset.

3.52 A financial claim is defined in paragraph 3.47 of the IMF GFSM 2014 as an asset that typically entitles the owner of the asset (known as the creditor) to receive funds or other resources from another unit (known as the debtor), under the terms of a liability. Financial claims are unconditional in nature (like liabilities), and provide benefits to the creditor by acting as a store of value, or by generating interest, other property income, or holding gains.

3.53 Financial assets differ from non-financial assets in that they generally have a counterpart liability, with the exception of monetary gold in the form of gold bullion held as reserve assets (see Chapter 8 and Chapter 9 of this manual for further discussion on monetary gold). Financial assets are the counterparts of the liabilities on which the claims are held. If one economic unit exchanges a particular set of benefits with another economic unit for future payment, a financial claim (and also a liability) is established in GFS.

3.54 Financial assets include currency and deposits, debt securities, loans and placements, insurance, superannuation and standardised guarantee schemes, and other financial assets. Further discussion on financial assets may be found in Chapter 8 and Chapter 9 of this manual.

Non-Financial Assets

3.55 All other economic assets are described as non-financial assets in GFS. Paragraph 3.50 of the IMF GFSM 2014 states that non-financial assets are further subdivided into non-financial assets that are 'produced' such as buildings, inventories, valuables (e.g. works of art), and non-financial assets that are 'non-produced' such as naturally occurring forests and fish stocks, and mineral reserves.

3.56 Further discussion on non-financial assets may be found in Chapter 8 and Chapter 10 of this manual.

Liabilities

3.57 A liability is defined in paragraph 3.45 of the IMF GFSM 2014 as being established when one unit (known as the debtor) is obliged, under specific circumstances, to provide funds or other resources to another unit (known as the creditor). In GFS, all liabilities are financial in nature and so they are not identified as financial and non-financial as is the case with assets. Liabilities are the counterparts to financial assets held by claimant economic units. This means that when a liability exists, the creditor has a corresponding financial claim on the debtor.

3.58 Paragraph 3.45 of the IMF GFSM 2014 further states that as is the case with commercial accounting, a liability in GFS is commonly created through a legally binding contract specifying the parties involved and the terms and conditions of the payment(s) to be made, and is extinguished when the debtor pays the sum agreed in the contract. In GFS, liabilities can also be imputed to reflect the underlying economic reality of a transaction, such as the creation of a notional loan when an asset is acquired under a financial lease. In GFS, liabilities can also be created by the force of law such as those arising through taxes, penalties, and judicial awards.

Contingent Liabilities

3.59 As is also the case with commercial accounting, contingent liabilities are recorded in GFS with the exception that these do not appear in the core GFS balance sheet (other than explicit contingent liabilities in the form of financial derivatives and provisions for calls under standardised guarantees), but rather as a memorandum item to the accounts. The reason for this is because the government is not obliged to recognise a liability unless an event occurs which forces them to step in and accept liability.

3.60 Contingent liabilities are defined in paragraph 7.251 of the IMF GFSM 2014 as obligations that do not arise unless a particular, discrete event(s) occurs in the future. Common types of contingent liabilities for general government units are guarantees of payment by a third party, such as when the general government unit guarantees the repayment of a loan by another borrower. In this case, the liability is contingent because the guarantor (the general government unit) is only required to repay the loan if the borrower defaults. Therefore for GFS purposes, a contingent liability will not appear in the core accounts of the general government unit unless, and until, the guarantee is called. However, the government needs to keep track of contingent liabilities to ensure it has an adequate reserve of funds prepared in case a guarantee is called. In order to do this, the details of significant contingent liabilities are recorded as a memorandum item to the GFS balance sheet.

3.61 Further discussion on contingent liabilities may be found in Chapter 13 of this manual.

PART D - ACCOUNTING RULES

3.62 Although GFS is based on economic principles, the data that supports it are sourced from the accounting systems of Australian treasuries, the Department of Finance, directly from public sector units, and others. In Australia, the GFS is embedded into the Australian Accounting Standards via Australian Accounting Standards Board 1049: Whole of Government and General Government Sector Financial Reporting (AASB 1049). This standard applies to the Commonwealth Government, and each state and territory government.

3.63 As is the case with commercial accounting, all entries in GFS are recorded in monetary terms through the use of double entry recording which captures debit and credit entries. In GFS, flows are recorded as revenue, expenses, and transactions in assets and liabilities, and stock positions are recorded as assets and liabilities. Similarly to commercial accounting, GFS employs the accrual basis of recording which means that transactions are recorded whenever economic value is created, transformed, exchanged, transferred or extinguished. The GFS reporting period also matches that of the accounting financial year and financial quarters.

3.64 While there are many similarities between GFS and the accounting rules applied by businesses and governments in their financial reports, there are also some important differences. For example, commercial accounting systems do not always require assets and liabilities to be valued at market value as does the GFS system. Also, GFS values sales at gross value rather than the net of the cost of goods sold. Other differences in the GFS system include the identification of assets as either financial or non-financial in nature and all liabilities as financial in nature, whereas commercial accounting identifies assets and liabilities as current or non-current in nature.

Double-entry accounting in GFS

3.65 The GFS system uses double-entry accounting for the recording of flows. Under this system, every flow gives rise to a minimum of two entries of equal-value, referred to as debits and credits. This principle ensures that the total of all debit entries and that of all credit entries for all transactions are equal, thus permitting the accounts for a unit or sector to be checked for consistency.

3.66 By convention, debit entries are made for increases in assets and decreases in liabilities. Credit entries are made for decreases in assets and increases in liabilities. Changes to net worth arising from transactions are recorded as either revenues or expenses. Therefore, transaction entries that increase net worth (revenues) are credits, and transaction entries that decrease net worth (expenses) are debits. This can be demonstrated in Table 3.1 below:

Table 3.1 - Sign conventions in the GFS

Event	Entry
Increase in Assets	Debit (+)
Decrease in Assets	Credit (-)
Increase in Liabilities	Credit (-)
Decrease in Liabilities	Debit (+)
Increase in Revenue	Credit (-)
Decrease in Revenue	Debit (+)
Increase in Expenses	Debit (+)
Decrease in Expenses	Credit (-)

3.67 Individual debit and credit entries are not usually made in Australian GFS, (as data are sourced from electronic downloads at an aggregated level), but are shown in Table 3.1 to demonstrate the double entry nature of the GFS system.

3.68 Other economic flows can increase or decrease stocks of assets and liabilities, with the counterpart entries recorded directly as changes in net worth. In the case of the reclassification of assets or liabilities, a change will occur in the stock position of two categories of assets or liabilities but there is no impact on net worth. This is because an increase in one category of assets or liabilities is paired with a decrease in another category of asset or liabilities.

The balance sheet

3.69 The GFS balance sheet is defined in paragraph 3.56 of the IMF GFSM 2014 as a statement of the values of the stock positions of assets owned and of the liabilities owed by an institutional unit or group of units, drawn up in respect of a particular point in time. A fundamental rule of the GFS balance sheet is that the total value of the assets always equals the total value of the liabilities plus net worth. Use of the double-entry recording in GFS ensures that this relationship is correctly maintained.

Time of recording flows

3.70 The time of recording of flows plays a very important role in GFS compilation. All flows are recorded on an accrual basis in GFS. This means that economic events are recorded at the time when they occur, irrespective of whether cash was received or paid (or was due to be received or paid), and flows are recorded whenever economic value is created, transformed, exchanged, transferred or extinguished. The recording of flows on an accruals basis also ensures that non-cash transactions, such as depreciation and transfers in kind, are included in GFS.

The timing of specific flows

3.71 Applying the accrual basis of accounting to GFS is not always straight forward. For example, all taxes should be recorded when the activities, transactions, or other events occur that create the liabilities to pay taxes. In practice, information based on Australian Taxation Office tax assessments may be all that is readily available to government to serve as evidence that a taxable event took place, and these may have been submitted many months after the liability to pay the taxes had been created. Table 3.2 below provides some practical guidance for the timing of recording of specific flows, and is based on paragraphs 3.77 to 3.102 of the IMF GFSM 2014:

Table 3.2 - Practical guidance on the timing of recording of specific flows

GFS Flow	Recommended time of recording
Income taxes	Income taxes should be recorded in the period in which the income is earned, but in reality there may be a significant delay between the period that the income is earned and the time at which it is feasible to determine the actual liability. In practice, income taxes deducted at source (such as pay-as-you-earn taxes), are recorded in the period they are paid rather than earned. Other income taxes have to be recorded when there is documentary evidence of the amount of tax that has accrued.
Other taxes	Taxes on the ownership of specific types of property are often based on the value of the property at a particular point in time, but are deemed to accrue continuously over the entire year or the portion of the year that the property was owned (if less than the entire year). Similarly, taxes on the use of goods or the permission to use goods or perform activities usually relate to a specific time period, such as a license to operate a business during a specific period.
Fines, penalties and property forfeitures	Some compulsory transfers such as fines, penalties, and property forfeitures, are determined at a specific time. These transfers are recorded when the government has an unconditional legal claim to the funds or property, which usually is when a court renders judgment or an administrative ruling is published. If such judgment or ruling is subject to further appeal, then the time of recording is when the appeal is resolved.
Grants and other voluntary transfers	Grants and other voluntary transfers often have requirements or eligibility conditions attached to them. Examples are the prior incurrence of expenses for a specific purpose, the passage of legislation to authorise participation in a program, or the beginning of a period such as the start of a new financial year. Under an accruals basis, these transfers should be recorded when all requirements and conditions are satisfied. However in Australia, recipients of grants generally do not record them until they have control over the funds granted.
Dividends	Dividends are to be recorded as of the date that the associated share goes 'ex dividend'. The ex-dividend date is the date that the dividends are excluded from the market price of shares.
Withdrawal of income from quasi-corporations	Withdrawals from income of quasi-corporations and various voluntary transfers are recorded on the date that the payment occurs.
Transactions in goods and non-financial assets	Transactions in goods and non-financial assets (including by barter, payment in kind, or transfer in kind) should be recorded when legal ownership changes. If that time cannot be determined precisely, the time of recording may be when there is a change in physical ownership or control of the goods and non-financial assets. Change in ownership of goods acquired under finance lease are deemed to be acquired or disposed of when the lease is signed or economic control of the asset otherwise has changed hand.
Inventories	Inventory is often made up of materials and supplies held as input for producing goods and services, work-in-progress or finished goods held for resale or distribution. Additions to inventories are recorded when products are purchased, produced, or otherwise acquired. Withdrawals from inventories are recorded when products are sold, used up in production, or otherwise relinquished. Additions to work-in-progress inventory are recorded continuously as work proceeds. When production is completed, the production costs accumulated to that point are transferred to finished goods inventory.
Transactions in services	Transactions in services should be recorded when the services are provided. Some services and certain types of exchange transactions are supplied or take place on a continuous basis. For example, renting, insurance, and housing services are continuous flows and, in concept, should be recorded continuously for as long as they are being provided. Similarly, interest, compensation of employees, rent, some social benefits, and consumption of fixed capital occur on a continuous basis over a period. In practice, such activities are allocated to periods based on assumptions about the amount of the activities that occurs during each period.
Transactions in financial assets and liabilities	Transactions in most types of financial assets, such as securities, loans, currency and deposits, should be recorded when legal ownership changes. This date may be specified according to a contract to ensure matching entries in the books of both parties. If no precise date is fixed, the date on which the creditor receives payment, or some other financial claim, is the determining factor. For example, loan drawings are entered in the accounts when actual disbursements are made and financial claims are established, not when an agreement is signed. On practical grounds, public sector liabilities may have to take account of the time of recording from the viewpoint of the public sector unit. In some cases, the parties to a transaction may perceive ownership to change on different dates because they acquire the documents evidencing the transaction at different times. This variation usually is caused by the process of clearing funds. The

	amounts involved may be substantial, such as in the case of transferable deposits and other accounts receivable or payable. For transactions between government units, the date on which the creditor records the transaction should be the date of recording. The transaction date of securities (the time of the change in ownership of the securities) may precede the settlement date (the time of the delivery of the securities). Under these circumstances, both parties should record the transaction at the time ownership changes, not when the underlying financial asset is delivered. Any significant difference between transaction and settlement dates gives rise to accounts payable or receivable. In practice, when the delay between the transaction and settlement is short, the time of settlement may be considered an acceptable proxy.
Accounts payable and receivable	Some financial claims or liabilities, in particular the various types of accounts payable and receivable such as trade credits and advances, general accounts payable, and wages payable, are the result of a non-financial transaction and are not otherwise evidenced. In these cases, the financial claim is created when the counterpart transaction such as the purchase of a good on credit, and compensation of employees, occurs.
Holding gains and losses	The calculation of holding gains and losses starts when economic ownership over the assets is acquired. The signing of the contract fixes the current market price for the transaction. A unit can only incur holding gains and losses on the assets or liabilities over which it has economic ownership. Changes in price often have a continuous character, particularly in respect to assets for which an active market exists. In practice, holding gains and losses are computed between two points in time. The starting point in time for the recognition of holding gains and losses will be the moment at which: • the reporting period begins if ownership of the asset already exists; or • ownership is acquired from other units (through purchase or a transaction in kind); or • an asset is produced. • The end point in time for the recognition of holding gains and losses will be the moment at which: • the reporting period ends; or; • ownership of an asset is relinquished (through a sale or a transaction in kind); or • an asset is consumed in the production process.
Arrears	Arrears are amounts that are both unpaid and past their due-for-payment date. If arrears occur, no transactions should be imputed, but the arrears should continue to be included in the same instrument until the liability is extinguished. Repayments of debts are recorded when they are extinguished in accordance with the accrual principle of accounting. Sometimes a debt contract can provide for a change in the characteristics of a financial instrument if repayments go into arrears. If this occurs, then the existing financial instrument should be reclassified to represent a new financial instrument through an other change in the volume of assets entry. This type of reclassification applies if the original debt contract remains, but the terms within it change. If a new contract is negotiated, or the nature of the instrument changes from one instrument category to another (for example, from bonds to equity), these events need to be recorded as new transactions.
Reclassifications	Reclassifications should be recorded when the change in the nature of the asset, liability, or entity occurs. Keeping records of reclassifications as they occur makes it possible to reconstruct supplementary time series based on the situation before the reclassification, if needed.
Other changes in the volume of assets and liabilities	Other changes in volume are recorded as these changes occur. For reclassifications, because the GFS is an integrated stock-flow framework, this requires that both the removal of an existing asset or liability from the original category and its inclusion in the new category are recorded at the same time.

Source: Based on paragraphs 3.77 to 3.102, International Monetary Fund Government Finance Statistics Manual, 2014

The recording of flows over extended periods

3.72 Several other transactions relate to flows that take place continuously, or over extended periods. For example, operating leases and depreciation accrue continuously over the entire period that a non-financial produced asset is used, and interest accrues continuously over the entire period that a financial claim exists. In GFS, these transactions should be recorded as if they are provided continuously over the whole period that the contract lasts, or the period that the asset is available for use. However in reality, as is the case for income taxes, the details of flows that take place continuously (or over extended periods) may not be available until the reporting date.

The cash basis of recording

3.73 Under the cash basis of accounting, flows are recorded when cash is received or disbursed. GFS in Australia is recorded under the accrual basis of accounting which also enables the derivation of a statement of cash flows (called the statement of sources and uses of cash) as an integral part of GFS records. Information on cash flows assists in the management of liquidity and is crucial to the operation of any unit. In GFS, the cash basis of recording provides analytically useful information on the liquidity positions of government, which allows for liquidity management. However, it is difficult to assess the true financial position of a unit without an accrual based system of accounting because information on non-monetary flows such as arrears, depreciation, accounts receivable / accounts payable, and trade credits is missing in a pure cash system of accounting. Although useful for liquidity management and other analytical purposes, the pure cash basis of accounting does not fully record all economic activity and resource flows required in macroeconomic statistics.

PART E - THE VALUATION OF FLOWS AND STOCK POSITIONS IN GFS

3.74 In the GFS system, all flows and stock positions are measured at the current market price. Flows recorded in the GFS statement of operations should be valued at the market price on the date that the flow takes place, while flows recorded in the GFS Statement of sources and uses of cash should be valued at their monetary value at the time the cash flow occurred. Stock positions should be valued at the prices current on the balance sheet date or on the date that a change in the nature of the asset or liability occurs in the case of acquisitions, disposals or reclassifications.

3.75 The market value is defined in paragraph 3.108 of the IMF GFSM 2014 as amounts of money that willing buyers pay to acquire something from willing sellers; the exchanges are made between independent parties and on the basis of commercial considerations only, sometimes called 'at arm’s length'. According to this definition, a market price refers only to the price for one specific exchange under the stated conditions. A second exchange of an identical unit (even under circumstances that are almost exactly the same), could result in a different market price.

3.76 Paragraph 3.109 of the IMF GFSM 2014 indicates that when a price is agreed to by both parties in advance of a transaction taking place, this agreed (or contractual) price is the market price for that transaction regardless of the prices that prevail when the transaction takes place. Paragraph 3.110 of the IMF GFSM 2014 states that actual exchange values, expressed in monetary terms, are presumed to be the market prices in most cases. A market price is the price payable by the buyer after taking into account any rebates, refunds, adjustments, etc., from the seller.

The valuation of transactions

3.77 All transactions in GFS are valued at current market value. Paragraph 3.111 of the IMF GFSM 2014 recommends that transactions in financial assets and liabilities are recorded exclusive of any commissions, fees, and taxes regardless of whether these are charged explicitly, included in the purchaser’s price, or deducted from the seller’s proceeds. The valuation of financial instruments (such as securities) differ from the valuation of non-financial assets (such as buildings or equipment, with the exception of land) because they exclude the costs of ownership transfer. This is because both debtors and creditors should record the same amount for the same financial instrument in each of their accounts. The commissions, fees, and / or taxes and similar payments for services that are necessary to acquire a financial asset or incur a liability should be recorded separately from the transaction under the appropriate categories of revenue or expense. A summary treatment of the costs of ownership transfer is demonstrated in Table 3.3 below:

Table 3.3 - Summary of the treatment of the costs of ownership transfer (COOT)

Type of asset		Treatment of COOT*
Financial assets (and liabilities)	Financial assets (and liabilities)	COOT is recognised but it is not recorded as part of the associated financial asset (or liability) itself; instead, it is classified as a non-employee expense in the period of ownership change.
Non-Financial assets	**Produced assets**	
	Land improvements	COOT on land is recognised here as an undistinguished part of land improvements, not in land.
	Inventories	COOT is not recognised.
	Other produced assets	COOT is recognised and it is recorded as an undistinguished part of the associated other produced asset itself.
	Non-produced assets	
	Land	COOT for land is recognised but it is not recorded against land itself; instead, it is recorded as an undistinguished part of land improvements, in the period of ownership change.
	Non-produced assets other than land	COOT is recognised and it is recorded against "COOT on non-produced assets other than land" (a category of fixed produced asset) for the purposes of deriving gross fixed capital formation and depreciation. However, it is included as an undistinguished part of the associated non-produced asset for GFS balance sheet presentation purposes.
* These typically include commissions, fees, taxes and similar costs necessary to acquire the asset or incur the liability.		

3.78 Where market prices for transactions are not observable (such as for some barter or transfers in kind transactions), paragraph 3.112 of the IMF GFSM 2014 indicates that valuation based on market price equivalents may provide an approximation to market prices. In such cases, the market price of the same or similar items (when such prices exist) provide a good basis for applying the principle of market prices. Generally, market prices should be taken from the markets where the same or similar items are traded currently, in sufficient numbers and in similar circumstances. If there is no appropriate market in which a particular good or service is currently traded, the valuation of a transaction involving that good or service may be derived from the market price of similar goods and services by making adjustments to the price for quality and other differences.

Valuation of stock positions

3.79 Stock positions should be valued at the current market value, as if they were acquired in a market transaction on the balance sheet reporting date (also known as the reference date). Current market prices are readily available for assets and liabilities that are traded in active markets. Paragraphs 3.113 to 3.116 of the IMF GFSM 2014 state that assets and liabilities that are not traded in markets (or are traded only infrequently), need to be valued according to their market value equivalent. For these assets and liabilities, it is necessary to estimate fair values that approximate market prices. The present value of future cash flows may be used as an approximation to market prices, provided an appropriate discount rate is used.

3.80 Paragraph 3.125 of the IMF GFSM 2014 provides guidance on how to estimate the current market value of flows and stocks without the presence of an active market. This information has been reproduced in Box 3.2 below.

Box 3.2 - Estimation of current market values

In situations where the current market value of a flow or stock must be estimated, the following estimation guidelines may be applied:

- **It may be possible to estimate the values of transactions based on values taken from markets in which similar transactions take place under similar conditions. The value of certain stock positions (primarily financial assets), may be estimated using market transactions involving similar assets that take place at the end of the reporting period.**
- **Flows and stock positions involving existing non-financial produced assets may be valued using the market price for similar new goods, properly adjusted for consumption of fixed capital and other events that may have occurred since they were produced.**
- **If there is no appropriate market in which a particular good or service is currently traded, the valuation of a flow involving that good or service may be derived from the market prices of similar goods and services by making adjustments for quality and other differences.**
- **The value of flows and stock positions of assets may be estimated on the basis of the historical or acquisition cost of the item, but must be adjusted for all changes that have occurred since it was purchased or produced. Examples of adjustments include those for depreciation, holding gains or losses, physical depletion, exhaustion, degradation, unforeseen obsolescence, and exceptional losses.**
- **Goods and services may be valued by the amount that it would cost to produce them currently. For market producers, the market value of a non-financial asset valued in this way should include a mark-up that reflects the net operating surplus attributable to the producer. For non-market goods and services produced by government units, no allowance should be made for any net operating surplus.**
- **Assets can be valued at the discounted present value of their expected future returns. This method is particularly prominent for a number of financial assets, natural assets, and intangible assets. For some financial assets, the present market value is established by discounting future payments or receipts to the present value, using the market interest rate. However, it may be difficult to determine future earnings with the appropriate degree of certainty, given that assumptions are also needed about the asset's life span and the discount factor to be applied. Because of these uncertainties, the other possible sources of valuation described in the preceding paragraphs should be exhausted before resorting to this method.**

Source: Paragraph 3.125, International Monetary Fund Government Finance Statistics Manual, 2014,

3.81 Paragraph 3.115 of the IMF GFSM 2014 lists some other valuation methods which may be analytically useful and appropriate to compare against current market values:

- Fair value - this is a market-equivalent value defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. It represents an estimate of what could be obtained if the creditor sold the financial claim or settled the liability.
- Nominal value - this is the amount that the debtor owes to the creditor at any moment in time. It reflects the value of the instrument at creation and subsequent economic flows, such as transactions, valuation changes (excluding market price changes), and other changes, such as debt forgiveness. Conceptually, the nominal value is equal to the required future payments of principal and interest discounted at the existing contractual interest rate. For financial instruments other than debt securities, equity, and financial derivatives, nominal value can be taken as a proxy for market value.
- Amortised value - this reflects the amount at which the financial asset or liability was measured at initial recognition minus the principal repayments. Excess payments over the scheduled principal repayments reduce the amortised value whereas payments that are less than the scheduled principal repayments or scheduled interest increase the amortised value. On each scheduled date, amortised value is the same as nominal value, but it may differ from the nominal value on other dates due to the accrued interest being included in the nominal value.
- Face value - this is the undiscounted amount of principal to be repaid at maturity. The use of face value as a proxy for nominal value in measuring the gross debt position can result in an inconsistent approach across all instruments and is not recommended. For example, the face value of deep discounted bonds and zero-coupon bonds includes interest not yet accrued, which runs counter to accrual principles.
- Written-down replacement cost - this is the current acquisition price of an equivalent new asset minus the accumulated consumption of fixed capital, amortisation, or depletion.
- Book value - this refers to the value recorded in the entities' records. Book values may have different meanings because their values are influenced by accounting standards, rules, and policies, as well as the timing of acquisition, company takeovers, frequency of revaluations, and tax and other regulations.
- Historic cost - this reflects the cost of an asset at the time of acquisition.

Valuation adjustments in special cases

3.82 Paragraphs 3.118 to 3.125 of the IMF GFSM 2014 provide the following guidance on special cases where valuation adjustments may be needed to reflect correct values of flow and stock positions:

- Where a unit sells an item and does not receive the corresponding payment for an unusually long time, and the amount of trade credit extended is large, then the value of the sale should be reduced by means of an appropriate discount rate and interest should be accrued until the actual payment is made.
- Where flow and stock positions are expressed in a foreign currency, flows need to be converted to their value in the domestic currency, at the rate prevailing at the moment the transactions or other flow takes place, and stocks need to be converted at the rate prevailing on the balance sheet date. The midpoint between the buying and selling rates should be used so that any service charge is excluded.
- Where the valuation in domestic currency of a purchase or sale on credit expressed in a foreign currency is different because the exchange rate changed in the interim, both transactions should be valued at their current market values as of the dates they actually occurred, and a holding gain or loss resulting from the change in the exchange rate should be recorded for the period or periods in which it occurs.
- Where a contract establishes a quotation period for a transaction in goods months after the goods have changed hands, the market value at the time of the change of ownership of the goods should be initially estimated, and revised with the actual market value when known. Market value is given by the contract price even if it is unknown at the time of change of ownership.
- Transfers in kind should be valued at the market price that would have been receivable if the resources had been sold in the market. In the absence of a market price, the donor’s view of the imputed value of the transaction will often be quite different from that of the recipient. The suggested rule of thumb is to use the value assigned by the donor as a basis of recording.
- Where a single payable/receivable refers to more than one transaction category, the individual flows should be partitioned and recorded separately. In such a case, the total value of the individual transactions after partitioning must equal the market value of the exchange that actually occurred.

Valuation of concessional or below market loans

3.83 Some transactions may take place at implied prices that include a grant or concession which means they are offered at below market prices. This is the case with concessional lending arrangements entered into by government. Paragraph 3.123 of the IMF GFSM 2014 states that while there is no precise definition of concessional loans, it is generally accepted that they occur when units lend to other units and the contractual interest rate is intentionally set below the market interest rate that would otherwise apply. Concessional loans effectively include a transfer from the creditor to the debtor, and the degree of concessionality can be enhanced with grace periods, frequencies of payments and a maturity period favourable to the debtor. With the exception of concessional lending to government employees and concessional lending by central banks, concessional debt is recorded as a memorandum item in GFS. Further discussion on the treatment of concessional loans in GFS may be found in Chapter 13, and Appendix 1 Part B of this manual.

Valuation of other economic flows

3.84 Apart from transactions, the change in the value of assets and liabilities between two reporting periods may also result in holding gains and / or losses, and other changes in the volume of assets and liabilities.

Holding gains and losses

3.85 Holding gains and / or losses occur if the value of an asset or liability changes during the time that it is held without changing in quality or quantity, or otherwise transforming or altering the asset or liability in any way. Holding gains and losses are recorded between the beginning of the accounting period (or the time an asset was acquired or produced during the accounting period); and the end of the accounting period or the time an asset is relinquished or consumed.

3.86 Holding gains and losses accrue continuously and apply to both non-financial assets and financial assets and liabilities in the statement of total changes in net worth (see Chapter 11 of this manual for further discussion). In GFS, holding gains and losses that occur during a reporting period are shown separately as flows related to the asset or liability in question. Since all financial assets (except monetary gold in the form of gold bullion held as reserve assets) are matched by liabilities (either within the domestic economy or with the rest of the world), it is important that holding gains or losses are recorded symmetrically. Table 3.4 below illustrates the recording of holding gains and losses.

Table 3.4 - The recording of holding gains and losses

Asset increases in value while it is held	**Holding**
Liability decreases in value while it is held	**Gain**
Asset decreases in value while it is held	**Holding**
Liability increases in value while it is held	**Loss**

Other changes in the volume of assets and liabilities

3.87 Differences in the value of non-financial assets that are not explained by transactions or through holding gains or losses, are due to other changes in the volume of assets and liabilities. This is where the quality and / or quantity of an asset or liability is affected through events such as fires, floods, earthquakes, natural growth in stocks of biological assets such as fish or virgin forests, or changes to the classification or structure of an asset or liability.

3.88 Paragraph 3.128 of the IMF GFSM 2014 indicates that in order to determine the valuation of the other changes in the volume of non-financial assets, the asset value needs to be examined both before and after the change in volume event so that any difference that is not explained by transactions or holding gains and losses is the value of the other volume change. Other changes in the volume of financial assets and liabilities are recorded at the current market equivalent prices of similar instruments. For all reclassifications of assets and liabilities, the value of both the new and old instruments should be the same.

3.89 Further discussion on other changes in the volume of assets and liabilities may be found in Chapter 11 of this manual.

PART F - DERIVED MEASURES

3.90 In GFS, derived measures are obtained by performing arithmetic operations on values recorded for the flows or stocks of individual units / sectors. Paragraphs 3.141 and 3.142 of the IMF GFSM 2014 outline two types of derived measures as aggregates and analytical balancing items.

3.91 Aggregates are summations of data relating to a class of flows or stocks of individual units / sectors. For example, tax revenues are the sum of all flows that are classified as taxes of a unit / sector. Aggregates and classifications are closely linked because classifications are designed to produce the aggregates considered to be most useful to users of GFS. In the GFS system, aggregates are produced after consolidation, which eliminates flows and stocks that occur between units contributing to the same aggregate.

3.92 Analytical balancing items are economic constructs obtained by subtracting one aggregate from a second aggregate. For example, the GFS net operating balance is an analytical balancing item obtained by subtracting the expenses aggregate from the revenues aggregate. Analytical balancing items are a prominent feature of fiscal analysis because they provide a convenient summary of financial outcomes.

PART G - GROSS AND NET RECORDING OF FLOWS AND STOCKS

3.93 In GFS, flows and stock positions may be presented on a gross or a net basis. Paragraph 3.143 of the IMF GFSM 2014 states that the presentation of flows and stock positions on the gross basis means that the data is presented as the total sum of a flow or stock. The presentation of flows and stocks on the net basis means that the flow or stock is shown as the sum of one set of flows or stock positions minus the sum of a second set of a similar kind. An example of the gross and net basis of recording of flow and stock positions can be shown through the presentation of total tax revenue. When presented on a gross basis, the total tax revenue is the total amount of all taxes accrued. When presented on a net basis, the total tax revenue is the gross amount minus tax refunds.

3.94 The use of the terms 'gross' and 'net' are used in a very limited manner for GFS purposes. Apart from a few cases, the GFS classifications employ the word 'gross' and 'net' to indicate the value of variables before or after the deduction of depreciation. Paragraphs 3.143 to 3.151 of the IMF GFSM 2014 examine the gross and net presentations of flows and stocks as used in the GFS framework. Some of this information has reproduced in the points below:

- Revenues are presented gross of expense categories for the same or related category and likewise for expense categories. in particular, interest revenue and interest expense are presented gross rather than as net interest expense, or net interest revenue. Similarly, grant revenue and expense, and rent revenue from natural resources and expenses are presented as gross. Also, sales of goods and services are presented as gross of the expenses incurred in their production;
- Revenues are also presented net of refunds of revenues, and expense categories are presented net of inflows of expenses arising from erroneous or unauthorised transactions. For example, refunds of income taxes may be paid when the amount of taxes withheld or otherwise paid in advance of the final determination exceeds the actual tax due. Such refunds are recorded as negative tax revenues. Similarly, if monetary transfers paid in error to households are recovered, then such recoveries are recorded as negative expenses;
- Acquisitions and disposals of non-financial assets (other than inventories) are presented on a gross basis. For example, acquisitions of land are presented separately from disposals of land;
- Changes in inventories are presented on a net basis. That is, the change in inventories is presented as the value of additions less withdrawals. Acquisitions and disposals of financial assets are also presented on a net basis. For example, only the net change in the holding of cash is presented, not gross receipts and disbursements of cash. Similarly, liquidation of liabilities is netted against incurrence of liabilities;
- Holding gains and losses (also known as revaluations) are presented on a net basis. That is, the net holding gain for each asset and liability is presented, not the gross holding gain and the gross holding loss;
- Stocks of non-financial assets are presented net of depreciation, revaluations, depletion, and other changes since their acquisition;
- Stocks of financial assets and liabilities are presented net of revaluations and other changes since their acquisition; and
- Stocks of the same type of financial instrument held both as a financial asset and a liability are presented on a gross basis. For example, a unit’s holding of bonds as assets is presented separately from its liability for bonds.

PART H - CONSOLIDATION

3.95 Consolidation is the process of eliminating intra-group flows and stocks from aggregates for a group of units for which statistics are to be presented. In the GFS system, data are consolidated whenever they are presented for a group of units. In Australian GFS, data have to be consolidated for many different groups of units, covering the nation as a whole, and each jurisdiction individually.

Intra-sectoral and inter-sectoral consolidation

3.96 Intra-sectoral consolidation is defined in paragraph 3.155 of the IMF GFSM 2014 as the in-principle elimination of flows and stocks that occur within a particular group of units, a sector or subsector. An institutional unit requires consolidation when the unit has multiple funds and accounts to carry out its operations and there are flows and stock positions among those funds. Failure to eliminate intra-sectoral flows and stock positions results in aggregates that cannot measure interaction with outside units exclusively. An example of intra-sectoral consolidation is that which is undertaken within the central government, or within the public non-financial corporations subsector, or within a state / territory government.

3.97 Inter-sectoral consolidation is defined in paragraph 3.156 of the IMF GFSM 2014 as the in-principle elimination of flows and stocks that occur between a particular group of units, subsectors or sectors. An example of inter-sectoral consolidation is that which occurs between central, state and local governments, or between the general government and public non-financial corporations, or between the general government and public financial corporations.

3.98 Paragraph 3.157 of the IMF GFSM 2014 recommends that intra-sectoral consolidation is undertaken before inter-sectoral consolidation takes place, and states that for international statistical purposes the general government sector and each of its subsectors should be presented on a consolidated basis. It further states that consolidated data for public corporations should also be presented together with general government units for the consolidated total public sector.

3.99 Because consolidation is performed in GFS under a double entry system of accounting (where credit entries are matched with debit entries of equal value), the adjustments to GFS data made through consolidation do not affect the GFS balancing items. Paragraph 3.166 of the IMF GFSM 2014 states that balancing items which are produced by simple aggregation are the same as those produced by consolidation due to the symmetry of the consolidation process. Therefore, when consolidated data produces different balancing items from the unconsolidated data, this is a good indication that recording errors have been made.

Consolidation groupings in Australian GFS

3.100 In the Australian GFS framework, data are presented on an intra-sectoral and inter-sectoral consolidated basis for each of the consolidation groupings that appear in Table 3.5 below.

Table 3.5 - Australian GFS Consolidation Groupings

	SECTOR				
Level of Government	**General Government (1)**	**Public Non-Financial Corporations (2)**	**Non-Financial Public Sector (1) + (2)**	**Public Financial Corporations (3)**	**Total Public Sector (1) + (2) + (3)**
Commonwealth					
State / Territory					
Local					
State / Territory and Local					
Control not further defined					
National					
All Levels of Government					

3.101 In the Australian GFS system, data are consolidated whenever they are presented for a group of units. For example, each of the cells in Table 3.5 represents a grouping for which consolidated data must be produced. In addition, separate consolidation must be undertaken for each of the nine jurisdictions (including multi-jurisdictional units).

Conceptual guidelines for consolidation

3.102 Consolidation requires the in-principle elimination of all intra-governmental and inter-governmental flows and stock positions among a group of public sector units or entities. Consolidation requires a review of the accounts that are to be consolidated in order to identify inter-sectoral and intra-sectoral flows and stock positions. Box 3.3 contains guidance as to the types of transactions, flows or stock positions that require consolidation, and has been reproduced from paragraphs 3.162 to 3.164 of the IMF GFSM 2014:

Box 3.3 - Practical guidelines for consolidation in GFS

1. Consolidation covers a range of categories of flows and stock positions that can vary in significance and value in GFS. The major transactions, in likely order of importance, are:

- **grants (current and capital) among general government units or entities;**
- **transactions in financial assets and liabilities;**
- **interest income/expense;**
- **taxes paid by one government unit or entity to another;**
- **purchases/sales of goods and services; and**
- **acquisitions/disposals of non-financial assets.**

2. The following major transactions, other economic flows, and stock positions, (in likely order of importance) should be consolidated for general government statistics covering financial assets and liabilities:

- **loans;**

- **debt securities; and**
- **other accounts receivable/payable.**

3. For the public sector (in addition to the above financial instruments), the following flows and stock positions should also be eliminated – in principle– in both intra-sectoral and inter-sectoral consolidation:

- **equity and investment fund shares;**
- **currency and deposits; and**
- **insurance, pension, and standardised guarantee schemes.**

Source: Paragraphs 3.162 to 3.164, International Monetary Fund Government Finance Statistics Manual 2014.

Implementing consolidation in GFS

3.103 Paragraphs 3.165 and 3.166 of the IMF GFSM 2014 provide some practical guidance to help to determine if there are flows or stock positions to be consolidated, whether or not to measure the consolidation items based on their magnitude and cost of collection, and which unit may be considered to have the most reliable records. This guidance for implementing consolidation in GFS has been reproduced below.

- Step 1. Begin all consolidation exercises with an analysis of the accounts involved to determine if there are flows or stock positions internal to the units(s) to be consolidated. This will depend on knowledge of the relationships among the units involved. Do some units incur expenses or receive revenue from another unit? Do some units extend loans to other units? Do they buy debt securities issued by others? Do they have currency and deposits held by others?
- Step 2. Once these relationships are established, compilers must determine whether the intra-sectoral and / or inter-sectoral flows and stock positions can be measured or estimated, and whether the amounts will be significant in terms of analytical importance.
- Step 3. If the amounts are likely to be significant, are they large enough to justify the effort to collect the data and other information for consolidation purposes? The effort and cost to identify an amount to be consolidated should be directly proportional to the expected amount and its impact on the aggregates.
- Step 4. The 'one-side' rule of thumb is commonly used in consolidation. If there is convincing evidence from one of the transactors that a flow or stock position exists, it should be imputed to the other transactor, even in the absence of the counterpart records. When such an adjustment is made in the data for a unit where the flow or stock position cannot be directly identified, it will be necessary to ensure that the records for that unit are properly modified.
- Step 5. For flows and stock positions in financial assets and liabilities, normally the creditor can be expected to maintain the most reliable records. For loans, the creditor unit usually maintains the most complete records. For debt securities, especially bearer instruments, only the creditor may have the information needed for consolidation. For example, when a central government issues securities, some of which are acquired by public corporations, the central government may have no direct information on who is holding the securities, especially if they can be acquired on secondary markets. It is therefore necessary to rely on the creditors' records for this kind of information.
- Step 6. Sometimes discrepancies may exist between data for two units that are being consolidated. There are many reasons for such discrepancies, such as coverage, time of recording, valuation, classification, etc. Resolving these discrepancies will promote proper consolidation and improve the overall quality of GFS compiled. However, where a discrepancy cannot be resolved, decisions need to be made about which unit or group of units has the most reliable source data. Generally, the higher level of government is considered to have more reliable records than the lower levels of government.
- Step 7. To create consistency with other macroeconomic data sets, components of the data for the public sector should be arranged in such a way to show the data before consolidation and after consolidation. This will allow for the unconsolidated data to be consistent with the data required in the national accounts and other data sets that are presented before consolidation.
- Step 8. Certain transactions that seemingly occur between units in the same sector should not be consolidated. An example of this is re-routed transactions involving employer social schemes, and employee related premiums to an insurer within the sector.

CHAPTER 4 - THE GFS FRAMEWORK

PART A - INTRODUCTION

4.1 The role and responsibilities of government lead government units and public corporations to carry out a variety of activities and functions. The GFS framework organises these economic activities to allow government fiscal activity to be measured and analysed.

4.2 The GFS framework forms a set of interrelated statements and is designed to facilitate macroeconomic analysis by integrating flows and stock positions. The GFS framework provides the means with which to assess and measure the economic impact of government activity and the liquidity and sustainability of fiscal policy.

4.3 This chapter describes the GFS framework including the analytical objectives, the structure of the GFS framework, the GFS classifications that comprise the framework, and the related financial statements (outputs).

PART B - THE ANALYTICAL OBJECTIVES OF THE GFS FRAMEWORK

4.4 Paragraph 4.4 of the IMF GFSM 2014 describes the GFS analytical framework as a quantitative tool that supports fiscal analysis. The purpose of the GFS framework is to facilitate the identification, measurement, monitoring, and assessment of the impact of a government's economic policies, and other activities within the economy.

4.5 To achieve these objectives, the GFS analytical framework follows the SNA format to enable integrated recording of government economic flows and stocks. The GFS framework requires that the opening values of economic stocks, plus the value of the transactions and other economic flows during the accounting period, should equal the values of the stocks at the end of the accounting period for individual classes of assets and liabilities.

4.6 In order to provide statistics for each component of the public sector, the GFS framework provides for the identification of the level of government, jurisdiction and institutional sector of each statistical unit in the framework. The GFS framework includes rules that govern the aggregation of data for individual units into totals for each level of government, jurisdiction and sector. The rules provide for the consolidation of flows and stocks that occur between units in the same level of government, jurisdiction or sector.

4.7 As well as providing the foregoing classification of units by level of government, jurisdiction and sector, the framework provides for the classification of economic flows by type (e.g. transactions versus other economic flows) and function (e.g. general public services, public order and safety, etc.) and economic stocks by type. At the broadest level, flows are subdivided between transactions and other economic flows. Transactions are categorised by type as either revenues, expenses, net acquisition of non-financial assets, net acquisition of financial assets, net incurrence of liabilities or net contributions of capital. Stocks are subdivided by type between non-financial assets, financial assets, liabilities, and shares and other contributed capital. Each of the classifications is hierarchical, such that each of the broad categories is disaggregated into subcategories, which in turn are further broken down into classes. The degree of disaggregation varies from category to category and is designed to cater for all analytical requirements.

4.8 The GFS framework presents information about opening stocks, flows during the accounting period and closing stocks, which enables the derivation of key analytical aggregates to support fiscal analysis. The key analytical aggregates that are derived from component statements are:

- GFS Net Operating Balance - this is the difference between GFS revenues and GFS expenses. It reflects the sustainability of government operations and is also known as the change in net worth due to transactions.

- GFS Net Lending (+) / Borrowing (-) - this shows the financing requirements of government, indicating the extent to which government is either putting financial resources at the disposal of other sectors in the economy or abroad, or utilising the financial resources generated by other sectors in the economy or from abroad. It is calculated as the GFS Net Operating Balance less the net acquisition of non-financial assets. A positive result reflects a net lending position and a negative result reflects a net borrowing position. This is also known as the change in net financial worth due to transactions.
- GFS Net Worth - this is the total stock of assets minus liabilities and shares / contributed capital. For the general government sector, net worth is assets less liabilities since shares and contributed capital is zero. It is an economic measure of wealth and reflects the contribution of governments to the wealth of Australia.
- GFS Net Financial Worth - this is the total stock of financial assets minus liabilities and shares/contributed capital. For the general government sector, net financial worth is financial assets less liabilities since shares and contributed capital is zero. It is an economic measure of the stock position of financial assets owned by the government of Australia.
- Cash Surplus (+) / Deficit (-) - this is the net cash inflow from operating activities minus net cash outflow from investments in non-financial assets. The cash surplus/deficit is a measure of a sector's cash flow requirements and if positive (i.e. a surplus), it reflects cash available to governments to either increase financial assets or decrease liabilities. When this measure is negative (i.e. a deficit), it identifies the extent to which a government needs to run down its financial assets in order to finance the cash shortfall.

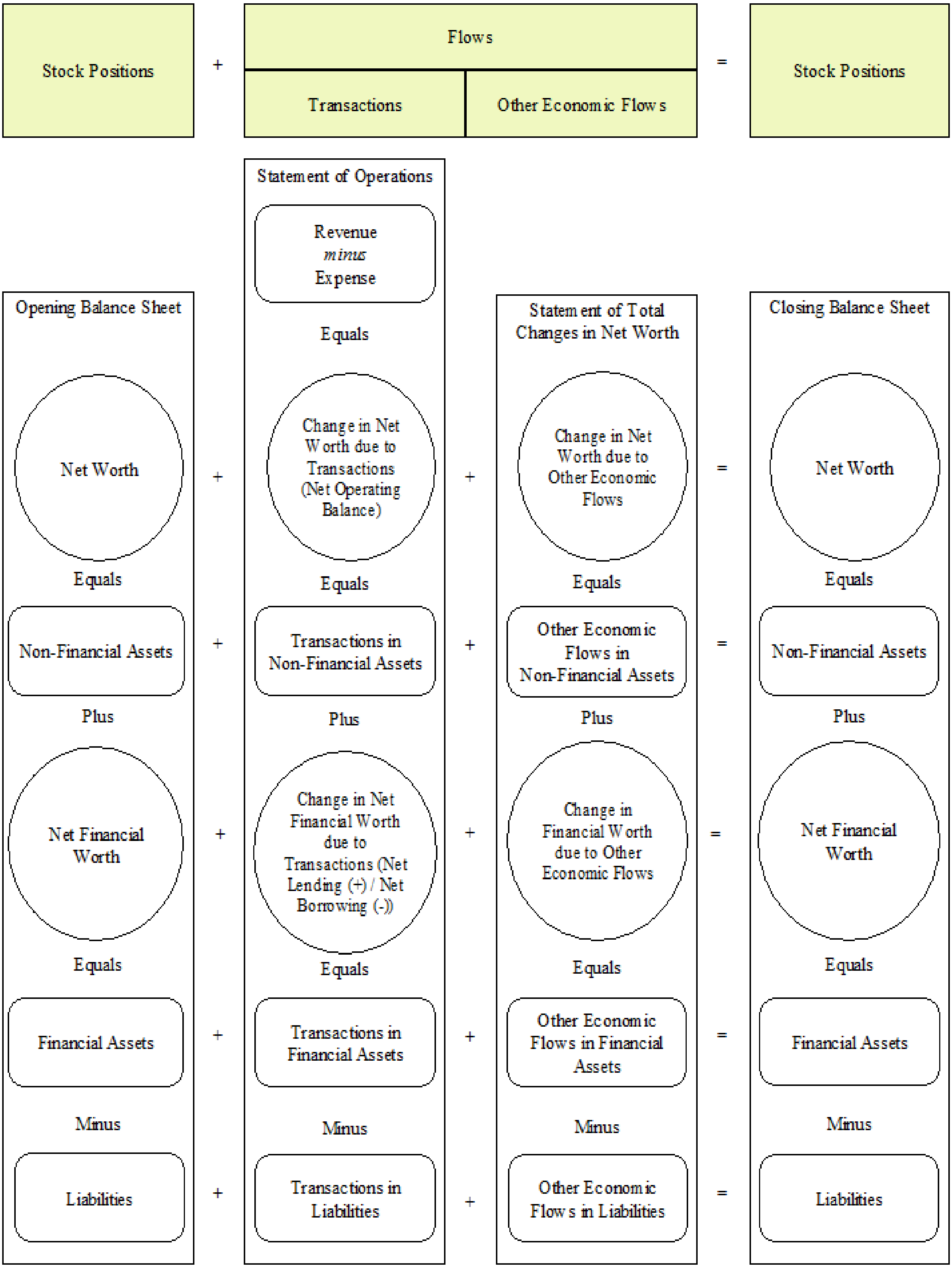
4.9 The GFS framework provides a structure within which very detailed presentations of GFS can be formulated. In theory, the items in each of the basic statements can be disaggregated to the finest levels of each of the stocks and flows classifications and cross-classified according to the level of government, jurisdiction and sector of each unit in the framework. In practice, there are practical and quality limits to the degree of detail that can be tabulated. However, the previously discussed objectives of the framework are readily achieved with this design.

PART C - THE STRUCTURE OF THE GFS FRAMEWORK

4.10 The GFS framework combines elements from the GFS balance sheet, statement of operations, the statement of sources and uses of cash, and statement of stocks and flows to describe and record economic events that occur during an accounting period. This can be shown through the maintenance of opening stock figures, details of the transactions and other economic flows that occur during the accounting period, and closing stock figures. The relationships between stocks and flows can be analysed to explain the effects of government policy and the fiscal effects of government operations.

4.11 The GFS analytical framework in diagram 4.1 presents the accrual component of the broader GFS framework and the relationships between the elements within it. In the broadest sense, the GFS analytical framework illustrates that during the accounting period, the closing stock position equals the opening stock position plus transactions and other economic flows.

Diagram 4.1 - The GFS analytical framework



Source: International Monetary Fund Government Finance Statistics Manual, 2014.

4.12 The key analytical aggregates are shown in circles in the broad GFS analytical framework in Diagram 4.1. They are:

- Net worth with both opening and closing balances represented;
- Change in net worth due to transactions which is equal to the net operating balance;
- Change in net worth due to other economic flows;
- Net financial worth with both opening and closing balances represented;
- Change in net financial worth due to transactions which is equal to net lending (+) / net borrowing (-); and
- Change in net financial worth due to other economic flows

4.13 Please note that the cash surplus (+) / cash deficit (-) is also a key analytical aggregate in the broader GFS framework, although this does not appear in the analytical framework diagram. The GFS cash surplus (+) / cash deficit (-) is represented by cash flows from operating activities plus cash flows from investments in non-financial assets.

4.14 The second analytical aggregate in the operating statement is the GFS net lending(+) / net borrowing(-). This is derived as the net operating balance less net acquisition of non-financial assets. GFS net lending(+) / net borrowing(-) is also equal to the net acquisition of all financial assets arising from transactions minus the net incurrence of all liabilities arising from transactions. This can be demonstrated arithmetically as follows in Table 4.1:

Table 4.1 - Relationships in the broader GFS analytical framework

(1)	Net Lending (+) / Net Borrowing (-)	=	Net Operating Balance	-	Net Change in Non-Financial Assets due to Transactions		
(2)	Net Operating Balance	=	Change in Net Worth due to Transactions				
(3)	Change in Net Worth due to Transactions	=	Net Change in Non-Financial Assets due to Transactions	+	Net Change in Financial Assets / Liabilities due to Transactions*		
Therefore:							
(4)	Net Operating Balance	=	Net Change in Non-Financial Assets due to Transactions	+	Net Change in Financial Assets / Liabilities due to Transactions*		
And substituting in (1)							
(5)	Net Lending (+) / Net Borrowing (-)	=	Net Change in Non-Financial Assets due to Transactions	+	Net Change in Financial Assets / Liabilities due to Transactions	-	Net Change in Non-Financial Assets due to Transactions
Therefore:							
(6)	Net Lending (+) / Net Borrowing (-)	=	Net Change in Financial Assets / Liabilities due to Transactions				

* Also known as the Change in Net Financial Worth or GFS Net lending (+) / Net Borrowing.

PART D - GFS CLASSIFICATIONS

4.15 In order for the GFS analytical framework to provide the means with which to assess and measure the impact of government policies and other activity on the Australian economy, financial data must enter the framework. The data that feed through the GFS analytical framework are primarily sourced from the financial accounts of state and territory treasuries, the Department of Finance, local governments and universities. These data are classified to the GFS analytical framework through a range of GFS classifications. The data are then processed and aggregated by the ABS to identify the key GFS analytical balances. For more information on the sources of GFS data and methods of compilation, please see

Chapter 14 of this manual.

4.16 The GFS framework provides for the classification of units by level of government (LOG), jurisdiction (JUR), and institutional sector (INST). It also provides for the economic classification of stocks and flows by type (economic type classification, or ETF), and selected economic flows by function (classification of the functions of government - Australia, or COFOG-A). The COFOG-A replaces the government purpose classification (GPC) breakdown previously used. Each of the classifications are hierarchical in nature. Each of the broad categories within the classifications are disaggregated into subcategories, which in turn are further broken down into classes. The degree of disaggregation varies from category to category, and is designed to cater for all analytical requirements. For further information on the classification of units see Chapter 2 and Appendix 1 Part A.

Unit classifications

4.17 The main GFS classifications applied to units are the level of government (LOG), jurisdiction (JUR), and institutional sector (INST) classifications (for definitions, see Chapter 2 of this manual). Also used is the *Australian and New Zealand Standard Industrial Classification, 2006* (or ANZSIC).

4.18 Unit classifications are first determined at the time a unit comes into the coverage of GFS. This usually happens when a unit is created by a government in Australia, or when an existing unit is split to more than one unit or is combined with another unit to form a new unit. Once determined, unit classifications are reviewed only when major changes occur to the functions and / or operating environment of the unit.

4.19 The GFS unit classification process involves examining Acts of Parliaments (where applicable) and the unit's financial statements (i.e. the income and expenditure (profit and loss) statement, balance sheet, and cash flow statement). This process is intended to disclose the range of activities in which the unit engages, and the legislative background to its creation. Such information is used to determine whether the unit qualifies as a separate institutional unit in it's own right, and whether it falls within the scope of GFS. The information (supplemented where necessary by information obtained directly from the unit), is used to determine the classification(s) applicable to the unit. Further information on the classification of units and sectors may be found in Chapter 2 of this manual.

Flows and stocks classifications and frameworks

4.20 The GFS flows and stocks classifications and frameworks may be viewed from two perspectives, an input perspective and an output perspective. The input perspective takes into account the nature and structure of the data that enter the framework. The main sources of GFS data are government accounts, which provide accounting data that have to be reclassified and reorganised on an economic basis to be suitable for conversion to statistical output. As well, the input perspective identifies flows and stocks (e.g. those subject to consolidation) that do not enter final output as such. The output perspective views the classifications almost entirely (plus additional derived items) as the lists of items that appear in published statistics. The detailed classifications are set out in Appendix 1 Part A, Part B, and Part C of this manual.

4.21 The main flows and stocks classifications in GFS are the:

- Economic type framework (ETF);
- Source destination classification (SDC);
- Financial assets and liability classification (FALC);
- Non-financial asset classification (NFAC);
- Taxes classification (TC); and
- Classification of the functions of government - Australia (COFOG-A).

Economic type framework (ETF)

4.22 The economic type framework (ETF) is the primary framework that is used to classify flows and stocks according to their economic nature (e.g. revenues, expenses, transactions in financial assets and liabilities, transactions in non-financial assets, assets, liabilities) in GFS. The structure of the ETF is hierarchical, and consists of a 1-digit level (division), 2-digit level (major group), a 3-digit level (group), and a 4-digit level (subgroup). The major groups reflect the classifications comprising the primary financial statements of the government at the broadest level, and the groups and subgroups detail the assets, liabilities, revenues and expenses which comprise the major group. The full classification can be found in Appendix 1 Part A and Part B of this manual. The major groups are shown in Table 4.2 below and include the following:

Table 4.2 - Economic type framework (ETF): Major groups

ETF	Descriptor
1	**Revenue and expenses**
11	Revenue
12	Expenses
2	**Statement of sources and uses of cash**
21	Cash flows from operating activities
22	Cash flows from transactions in non-financial assets
23	Cash flows from transactions in financial assets for policy purposes
24	Cash flows from investments in financial assets for liquidity management purposes
25	Cash flows from financing activities
26	Increase / (decrease) in cash held.
3	**Transactions in financial assets and liabilities**
31	Transactions in financial assets (net)
32	Transactions in liabilities (net)
4	**Transactions in non-financial assets (excluding depreciation)**
41	Acquisitions of non-financial assets
42	Disposals of non-financial assets
5	**Other economic flows of assets and liabilities**
51	Holding gains and losses (revaluations)
52	Other changes in volume
6	**Intra-unit transfers**
60	Intra-unit transfers
7	**Supplementary information**
71	Memorandum items - balance sheet
72	Contingent liabilities
73	Provisions for doubtful debts
74	Debt maturity
75	Salary sacrifice expenses
76	Own-account capital formation
8	**Balance sheet**
81	Assets
82	Liabilities
83	Net worth

Revenue and expenses (ETF 1)

4.23 *Revenue* (ETF 11) records public sector revenue in the form of *taxation revenue* (ETF 111); *sales of goods and services* (ETF 112); *property income* (ETF 113); *other current revenue* (ETF 114); and *capital revenue* (ETF 115). The finer level detail of each of these elements is further discussed in Chapter 6 of this manual.

4.24 *Expense* (ETF 12) records public sector expenses in the form of superannuation expenses (ETF 121); other employee expenses (ETF 122); non-employee expenses (ETF 123); depreciation (ETF 124); current transfer expenses (ETF 125); capital transfer expenses (ETF 126); interest expenses (ETF 127); and other property expenses (ETF 128). The finer level detail of each of these elements is further discussed in Chapter 7 of this manual.

The statement of sources and uses of cash (ETF 2)

4.25 *Cash flows from operating activities* (ETF 21) record cash flows in the form of cash receipts from operating activities (ETF 211); cash payments for employee expenses (ETF 212); and cash payments for non-employee expenses (ETF 213). The finer level detail of each of these elements is further discussed in Chapter 12 of this manual.

4.26 *Cash flows from transactions in non-financial assets* (ETF 22) records cash flows in the form of *expenditure on non-financial assets (net)* (ETF 221). The finer level detail of this element is further discussed in Chapter 12 of this manual.

4.27 *Cash flows from transactions in financial assets for policy purposes* (ETF 23) records cash flows in the form of advances paid (net) (ETF 231); and equity acquisitions, disposals, and sale of equity (net) (ETF 232). The finer level detail of each of these elements is further discussed in Chapter 12 of this manual.

4.28 *Cash flows from investments in financial assets for liquidity management purposes* (ETF 24) records cash flows in the form of *increase in investments* (ETF 241). The finer level detail of this element is further discussed in Chapter 12 of this manual.

4.29 *Cash flows from other financing activities* (ETF 25) records cash flows in the form of *advances received (net)* (ETF 251); *borrowing (net)* (ETF 252); *deposits received* (ETF 253); and *other financing (net)* (ETF 259). The finer level detail of each of these elements is further discussed in Chapter 12 of this manual.

4.30 *Increase / (decrease) in cash held* (ETF 26) records cash flows in the form of *increase / (decrease) in cash held* (ETF 261). The finer level detail of this element is further discussed in Chapter 12 of this manual.

Transactions in financial assets and liabilities (ETF 3)

4.31 *Transactions in financial assets (net)* (ETF 31) records transactions in the form of *transactions in financial assets (net)* (ETF 311). The finer level detail of this element is further discussed in Chapter 8 and Chapter 9 of this manual.

4.32 *Transactions in liabilities (net)* (ETF 32) records transactions in the form of *transactions in liabilities (net)* (ETF 321). The finer level detail of this element is further discussed in Chapter 8 and Chapter 9 of this manual.

Transactions in non-financial assets (excluding depreciation) (ETF 4)

4.33 *Acquisitions of non-financial assets* (ETF 41) records transactions in the form of *acquisitions of non-financial assets* (ETF 411). The finer level detail of this element is further discussed in Chapter 8 and Chapter 10 of this manual.

4.34 *Disposals of non-financial assets* (ETF 42) records transactions in the form of *disposals of non-financial assets* (ETF 421). The finer level detail of this element is further discussed in Chapter 8 and Chapter 10 of this manual.

Other economic flows of assets and liabilities (ETF 5)

4.35 *Holding gains and losses (revaluations)* (ETF 51) record the value of other economic flows in the form of *holding gains and losses (revaluations)* (ETF 511). The finer level detail of this element is further discussed in Chapter 11 of this manual.

4.36 *Other changes in volume* (ETF 52) record the value of other economic flows in the form of *other changes in volume* (ETF 521). The finer level detail of this element is further discussed in Chapter 11 of this manual.

Intra-unit transfers (ETF 6)

4.37 *Intra-unit transfers* (ETF 60) records intra-unit transfers other than holding gains and losses and accrued transactions. This classification is used exclusively by the ABS for the processing of GFS data. Further information on this item may be found in Appendix 1 Part B of this manual.

Supplementary information (ETF 7)

4.38 *Memorandum items - balance sheet* (ETF 71) records supplementary information relating to the GFS balance sheet in the form of *implicit transfers* (ETF 711); *liabilities in arrears and related charges* (ETF 712); and *non-performing loans* (ETF 713). The finer level detail of each of these elements is further discussed in Appendix 1 Part B of this manual.

4.39 *Contingent liabilities* (ETF 72) records supplementary information relating to the GFS balance sheet in the form of *explicit contingent liabilities* (ETF 721); and *implicit contingent liabilities* (ETF 722). The finer level detail of each of these elements is further discussed in Appendix 1 Part B of this manual.

4.40 *Provisions for doubtful debts* (ETF 73) records provisions for anticipated doubtful debts during the reporting period. Provisions for doubtful debts are not recognised in GFS, but are recorded in the AGFS 15 as part of the supplementary information so that the ABS can derive the face value of financial assets and liabilities which is required for international statistical reporting. Provisions or allowances for doubtful debts are not included in GFS output, and accounts receivable in the balance sheet is recorded gross of such provisions or allowances. Provisions for doubtful debts are further discussed in Chapter 13 Part A, and Appendix 1 Part A of this manual.

4.41 *Debt maturity* (ETF 74) records the value of public sector debt in the form of *debt by maturity valued at market value* (ETF 741). The finer level detail of this element is further discussed in Appendix 1 Part B of this manual.

4.42 *Salary sacrifice expenses* (ETF 75) records the value of the benefits supplied by a public sector employer to employees under a salary sacrifice arrangement. The finer level detail of this element is further discussed in Appendix 1 Part B of this manual.

4.43 *Own-account capital formation* (ETF 76) records the value of own-account capital formation in the form of own-account superannuation payments (ETF 761); own-account employee payments other than superannuation (ETF 762); and own-account non-employee payments (ETF 763). The finer level detail of each of these elements is further discussed in Appendix 1 Part B of this manual.

Balance Sheet (ETF 8)

4.44 *Assets* (ETF 81) record the value of assets in the form of *financial assets* (ETF 8111); and *non-financial assets* (ETF 8112). The finer level detail of this category is further discussed in Chapter 8, Chapter 9, and Chapter 10 of this manual.

4.45 *Liabilities* (ETF 82) record the value of the liabilities of public sector units. The finer level detail of this category is further discussed in Chapter 8, Chapter 9, and Chapter 10 of this manual.

4.46 *Net worth* (ETF 83) records the residual of the value of government assets minus government liabilities in the form of *net worth* (ETF 8311). The finer level detail of this element is further discussed in Chapter 8, Chapter 9, and Chapter 10 of this manual.

Source destination classification (SDC)

4.47 The source destination classification (SDC) is a classification that is used for the identification of the sectors that are the source and destination of transactions in, and stocks of, financial assets and liabilities in the Australian GFS. It is also used to identify the sectors that are the source and destination of transactions in non-financial assets. In addition, the SDC identifies the source of the funds if a transaction is an operating revenue or a cash receipt, and the destination of the funds if the transaction is an operating expense or a cash payment.

4.48 The SDC specifically identifies:

- the institutional sector and level of government of the unit against which the financial claim represented by the asset / liability is held for transactions in, and stocks of, financial assets and liabilities;
- the institutional sector and level of government of the unit which acquires a non-financial asset or which disposes of a non-financial asset; and
- the institutional sector and level of government (where applicable) of the unit (including non-government units) from which revenues are receivable (the source) or to which expenses are payable (the destination) for each transaction.

4.49 The groupings of the SDC are shown below in Table 4.3 as:

Table 4.3 - Source Destination Classification (SDC)

SDC	Descriptor
110	Commonwealth public non-financial corporations
120	Commonwealth public financial corporations
130	Commonwealth general government
21j	State / territory public non-financial corporations
22j	State / territory public financial corporations
23j	State / territory general government
31j	Local public non-financial corporations
32j	Local public financial corporations
33j	Local general government
41j	Control not further defined public non-financial corporations
42j	Control not further defined financial corporations
43j	Control not further defined general government
911	Resident private non-financial corporations
912	Resident private depository corporations
913	Resident households
914	Resident non-profit institutions serving households
915	Other resident private financial corporations
919	Residents not elsewhere classified
921	Non-resident private depository corporations
929	Non-residents not elsewhere classified

Note: j denotes the state / territory of jurisdiction.

4.50 The public sector (SDC 100 - 43j) comprises Commonwealth public non-financial corporations, Commonwealth public financial corporations, and Commonwealth general government units (SDC 110, SDC 120, and SDC 130); State / territory public non-financial corporations, State / territory public financial corporations, and State / territory general government units (SDC 21j, SDC 22j, and SDC 23j) which are further disaggregated by state of jurisdiction; Local public non-financial corporations, Local public financial corporations, and Local general government units (SDC 31j, SDC 32j, and SDC 33j) which are further disaggregated by state of jurisdiction; and Control not further defined public non-financial corporations, Control not further defined public financial corporations, and Control not further defined general government units (SDC 41j, SDC 42j, and SDC 43j) which are further disaggregated by state of jurisdiction. Control not further defined units are made up of public universities and other units that are not controlled by any one particular jurisdiction in Australia.

4.51 The non-public sector consists of resident units which comprise resident private non-financial corporations (SDC 911), resident private depository corporations (SDC 912), resident households (SDC 913), resident non-profit institutions serving households (SDC 914), other resident private financial corporations (SDC

915), and residents not elsewhere classified (SDC 919).

4.52 The non-public sector also consists of non-resident units which comprise non-resident private depository corporations (SDC 921) and non-residents not elsewhere classified (SDC 929).

Financial asset and liability classification (FALC)

4.53 The financial asset and liability classification (FALC) is a classification used for the identification of financial assets and liabilities for GFS output purposes. The structure of the FALC is hierarchical, and consists of a 2-digit level (major group), and a 3-digit level (subgroup). The major group reflects government financial assets and liabilities at the broad level, and the subgroup reflects the details of the types of financial assets and liabilities which comprise the major group. Further information on the FALC may be found in Chapter 8, Chapter 9 and Appendix 1 Part A of this manual. The major group level of the FALC is shown in Table 4.4 below:

Table 4.4 - Financial asset and liability classification (FALC): Major groups

FALC	Descriptor
1	**Financial assets**
11	Currency and deposits
12	Securities and related assets
13	Loans and placements
14	Insurance, superannuation, and standardised guarantee schemes
15	Other financial assets
2	**Liabilities**
21	Currency and deposits
22	Securities and related liabilities
23	Loans and placements
24	Insurance, superannuation, and standardised guarantee schemes
25	Other liabilities

4.54 Currency and deposits (FALC 11 and FALC 21) record public sector holdings of currency and deposit financial assets and liabilities. These comprise *cash and deposits* (FALC 111 and FALC 211); *Special drawing rights (SDRs)* (FALC 112 and FALC 212); and *monetary gold (bullion)* (FALC 114 asset only), and *monetary gold (allocated and unallocated)* (FALC 114 and FALC 211).

4.55 Securities and related assets / liabilities (FALC 12 and FALC 22) record public sector holdings of financial assets and liabilities in debt securities and related items. These comprise *debt securities* (FALC 121 and FALC 221); *financial derivatives* (FALC 122 and FALC 222); *employee stock options* (FALC 123 and FALC 223); *equity including contributed capital* (FALC 124 and FALC 224); and *investment fund shares or units* (FALC 125 and FALC 225).

4.56 Loans and placements (FALC 13 and FALC 23) record public sector holdings of loan and placements in the form of financial assets and liabilities. These comprise *financial leases* (FALC 131 and FALC 231); *advances - concessional loans* (FALC 132 and FALC 232); *advances other than concessional loans* (FALC 133 and FALC 233); and *loans and placements not elsewhere classified* (FALC 139 and FALC 239).

4.57 Insurance, superannuation and standardised guarantee schemes (FALC 14 and FALC 24) record public sector holdings of financial assets and liabilities in insurance, superannuation, and standardised guarantee schemes. These comprise *non-life insurance technical reserves* (FALC 141 and FALC 241); *life insurance and annuities entitlements* (FALC 142 and FALC 242); *provisions for defined benefit superannuation* (FALC 143 and FALC 243); *claims of superannuation funds on superannuation manager* (FALC 144 and FALC 244); and *provisions for calls under standardised guarantee schemes* (FALC 145 and FALC 245).

4.58 Other financial assets (FALC 15) and other liabilities (FALC 25) record public sector holdings of other financial assets and liabilities. These comprise *provisions for employee entitlements other than superannuation* (FALC 151 and FALC 251); *accounts receivable* (FALC 152) / *accounts payable* (FALC 252); and *other financial assets not elsewhere classified* (FALC 159) / *other liabilities not elsewhere classified* (FALC 259).

Non-financial asset classification (NFAC)

4.59 The non-financial asset classification (NFAC) is a classification used for the identification of non-financial assets for GFS output purposes. The structure of the NFAC is hierarchical, and consists of a 2-digit level (major group), and a 3-digit level (subgroup). The major group reflects government non-financial assets at the broad level, and the subgroup reflects the details of the types of non-financial assets which comprise the major group. Further information on the NFAC can be found in Chapter 8, Chapter 10, and Appendix 1 Part A of this manual. The major group level of the NFAC is shown in Table 4.5 below:

Table 4.5 - Non-financial asset classification (NFAC): Major groups

NFAC	Descriptor
1	**Fixed assets**
11	Buildings and structures
12	Machinery and equipment
13	Cultivated biological resources
14	Intellectual property products
15	Weapons systems
2	**Other produced assets**
21	Inventories
22	Valuables
23	Other produced assets
3	**Non-produced assets**
31	Tangible non-produced assets
32	Intangible non-produced assets
33	Other non-produced assets

4.60 *Buildings and structures* (NFAC 11) record public sector holdings of fixed assets in the form of buildings and structures. These comprise *dwellings* (NFAC 111); *buildings other than dwellings* (NFAC 112); *land improvements* (NFAC 113); and *other structures not elsewhere classified* (NFAC 119).

4.61 *Machinery and equipment* (NFAC 12) record public sector holdings of fixed assets in the form of machinery and equipment. These comprise *transport equipment* (NFAC 121); *information, computer and telecommunications equipment* (NFAC 122); and *other machinery and equipment not elsewhere classified* (NFAC 129).

4.62 *Cultivated biological resources* (NFAC 13) record public sector holdings of fixed assets in the form of cultivated biological resources. These comprise *animal resources yielding repeat products* (NFAC 131); and *tree, crop, and plant resources yielding repeat products* (NFAC 132).

4.63 *Intellectual property products* (NFAC 14) record public sector holdings of fixed assets in the form of intellectual property products. These comprise *research and development* (NFAC 141); *mineral exploration and evaluation* (NFAC 142); *computer software* (NFAC 143); *databases* (NFAC 144); *entertainment, literary and artistic originals* (NFAC 145); and *intellectual property products not elsewhere classified* (NFAC 149).

4.64 *Weapons systems* (NFAC 15) record public sector holdings of fixed assets in the form of weapons systems. This comprises *weapons systems* (NFAC 151).

4.65 *Inventories* (NFAC 21) record public sector holdings of other produced assets in the form of inventories. These comprise *inventories - materials and supplies* (NFAC 211); *inventories - work in progress* (NFAC 212); *inventories - finished goods* (NFAC 213); *inventories - goods for resale* (NFAC 214); and *military inventories* (NFAC 215).

4.66 *Valuables* (NFAC 22) record public sector holdings of other produced assets in the form of valuables. These comprise *valuables* (NFAC 221).

4.67 *Other produced assets* (NFAC 23) records public sector holdings of other produced assets. These comprise *other not elsewhere classified produced assets* (NFAC 239).

4.68 *Tangible non-produced assets* (NFAC 31) record public sector holdings of non-produced assets in the form of tangible non-produced assets. These comprise *land* (NFAC 311); *mineral and energy resources* (NFAC 312); *non-cultivated biological resources* (NFAC 313); *water resources* (NFAC 314); *radio spectra* (NFAC 315); and *tangible non-produced assets not elsewhere classified* (NFAC 319).

4.69 *Intangible non-produced assets* (NFAC 32) record public sector holdings of non-produced assets in the form of intangible non-produced assets. These comprise *marketable operating leases* (NFAC 321); *permits to use natural resources* (NFAC 322); *permits to undertake specified activities* (NFAC 323); *entitlement to future goods and services on an exclusive basis* (NFAC 324); *goodwill and marketing assets* (NFAC 325); and *intangible non-produced assets not elsewhere classified* (NFAC 329).

4.70 *Other non-produced assets* (NFAC 33) record public sector holdings of other non-produced assets. These comprise *other non-produced assets not elsewhere classified* (NFAC 339).

Taxes classification (TC)

4.71 The taxes classification (TC) is a classification used for the identification of taxation revenue by type of tax, and is used for output purposes in the Australian GFS. The structure of the TC is hierarchical, and consists of a 1-digit level (division), a 2-digit level (major group) and a 3-digit level (subgroup). The major group reflects the different types of taxes at the broad level, and the subgroup details the taxes that comprise the major group. The full classification of the TC can be found in Chapter 6 and Appendix 1 Part A of this manual. The major group level of the TC are shown in Table 4.6 below:

Table 4.6 - Taxes classification (TC): Major group

TC	Descriptor
1	**Taxes on income, profits and capital gains**
11	Income and capital gains taxes levied on individuals
12	Income and capital gains taxes levied on enterprises
13	Income taxes levied on non-residents
2	**Taxes on employers' payroll and labour force**
21	Taxes on employers' payroll and labour force
3	**Taxes on property**
31	Taxes on immovable property
32	Estate, inheritance and gift taxes
4	**Taxes on provision of goods and services**
41	General taxes on provision of goods and services
42	Excises
43	Taxes on international trade
44	Taxes on gambling
45	Taxes on insurance
46	Taxes on financial and capital transactions
5	**Taxes on the use of goods and performance of activities**

51	**Motor vehicle taxes**
52	**Franchise taxes**
53	**Other taxes on the use of goods and performance of activities**

4.72 *Income and capital gains taxes levied on individuals* (TC 11) records taxes on income, profits, and capital gains in the form of income and capital gains taxes levied on individuals. These comprise *personal income tax* (TC 111); *government health insurance levy* (TC 112); *mining withholding tax* (TC 113); *capital gains tax on individuals* (TC 114); *prescribed payments by individuals* (TC 115); *fringe benefits tax* (TC 116); and *other income tax levied on individuals* (TC 119).

4.73 *Income and capital gains taxes levied on enterprises* (TC 12) records taxes on income, profits, and capital gains in the form of income and capital gains taxes levied on enterprises. These comprise *company income tax* (TC 121); *income tax paid by superannuation funds* (TC 122); *capital gains taxes on enterprises* (TC 123); and *prescribed payments by enterprises* (TC 124).

4.74 *Income taxes levied on non-residents* (TC 13) records taxes on income, profits, and capital gains in the form of income taxes levied on non-residents. These comprise *dividend withholding tax* (TC 131); *interest withholding tax* (TC 132); and *income taxes levied on non-residents not elsewhere classified* (TC 139).

4.75 Taxes on employer's payroll and labour force (TC 21) records taxes on employers' payroll and labour force. This comprises payroll taxes (TC 211), superannuation guarantee charge (TC 212), and taxes on employers' payroll and labour force not elsewhere classified (TC 219).

4.76 *Taxes on immovable property* (TC 31) records taxes on property in the form of taxes on immovable property. These comprise *land taxes* (TC 311); *municipal rates* (TC 312); *metropolitan improvement rates* (TC 313); *property owners' contributions to fire brigades* (TC 314); and *taxes on immovable property not elsewhere classified* (TC 319).

4.77 *Estate, inheritance and gift taxes* (TC 32) records taxes on property in the form of estate, inheritance, and gift taxes. These comprise *estate, inheritance, and gift taxes* (TC 321).

4.78 *General taxes on provision of goods and services* (TC 41) records taxes on provision of goods and services in the form of general taxes on provision of goods and services. These comprise *sales tax* (TC 411); and *goods and services tax (GST)* (TC 412).

4.79 *Excises* (TC 42) records taxes on provision of goods and services in the form of excises. These comprise *excises on crude oil, LPG and petroleum products* (TC 421); *excises on beer and potable spirits* (TC 422); *excises on tobacco products* (TC 423); *Excise Act duties not elsewhere classified and refunds of Excise Act duties* (TC 424); *agricultural production taxes* (TC 425); and *levies on statutory corporations* (TC 426).

4.80 *Taxes on international trade* (TC 43) records taxes on provision of goods and services in the form of taxes on international trade. These comprise *customs duties on imports* (TC 431); *customs duties on exports* (TC 432); and *agricultural produce export taxes* (TC 433).

4.81 *Taxes on gambling* (TC 44) records taxes on provision of goods and services in the form of taxes on gambling. These comprise *taxes on government lotteries* (TC 441); *taxes on private lotteries* (TC 442); *taxes on gambling devices* (TC 443); *casino taxes* (TC 444); *race betting taxes* (TC 445); and *taxes on gambling not elsewhere classified* (TC 449).

4.82 *Taxes on insurance* (TC 45) records taxes on provision of goods and services in the form of taxes on insurance. These comprise *insurance companies' contributions to fire brigades* (TC 451); *third party insurance taxes* (TC 452); and *taxes on insurance not elsewhere classified* (TC 459).

4.83 *Taxes on financial and capital transactions* (TC 46) records taxes on provision of goods and services in the form of taxes on financial and capital transactions. These comprise *financial institutions transactions taxes* (TC 461); *government borrowing guarantee levies* (TC 462); *stamp duties on conveyances* (TC 463); *stamp duties on shares and marketable securities* (TC 464); and *other stamp duties on financial and capital transactions* (TC 465).

4.84 *Motor vehicle taxes* (TC 51) records taxes on the use of goods and performance of activities in the form of motor vehicle taxes. These comprise *stamp duty on vehicle registration* (TC 511); *road transport and maintenance taxes* (TC 512); *heavy vehicle registration fees and taxes* (TC 513); and *other vehicle registration fees and taxes* (TC 519).

4.85 *Franchise taxes* (TC 52) records taxes on the use of goods and performance of activities in the form of franchise taxes. These comprise *gas franchise taxes* (TC 521); *petroleum products franchise taxes* (TC 522); *tobacco franchise taxes* (TC 523); and *liquor franchise taxes* (TC 524).

4.86 *Other taxes on the use of goods and performance of activities* (TC 53) records other taxes on the use of goods and performance of activities. These comprise *broadcasting station licences* (TC 531*); television station licences* (TC 532); *departure tax* (TC 533); *clean energy and related taxes* (TC 534); *taxes on the use of goods and performance of activities levied on non-residents* (TC 535); and *other taxes on the use of goods and performance of activities not elsewhere classified* (TC 539).

The classification of the functions of government - Australia (COFOG-A)

4.87 The *classification of the functions of government - Australia (COFOG-A)* (formerly known as the government purpose classification (GPC)) is used to classify selected revenues, all expenses, and all transactions in non-financial assets in terms of the government purpose (e.g. health, education, defence) of the expenditure. The COFOG-A is based on the 2008 SNA Classification of the Functions of Government (COFOG). For further information on the COFOG-A, see Appendix 1 Part C of this manual.

4.88 The COFOG-A is grouped according to type of government function or purpose. The structure of the COFOG-A is hierarchical and consists of a 2-digit level (major group), a 3-digit level (group) and a 4-digit level (subgroup). The major groups reflect the broad objectives of government and the groups and subgroups detail the means by which these broad objectives are achieved. The full classification can be found in Appendix 1 Part C of this manual. The major groups are shown in Table 4.7 below and include the following:

Table 4.7 - Classification of the functions of government - Australia (COFOG-A): Major groups

COFOG-A	Descriptor
01	General public services
02	Defence
03	Public order and safety
04	Economic affairs
05	Environmental protection
06	Housing and community amenities
07	Health
08	Recreation, culture and religion
09	Education
10	Social protection
11	Transport

4.89 *General public services* (COFOG-A 01) include transactions from executive and legislative organs; financial and fiscal affairs; external affairs; foreign economic aid; general services; basic research; research and development on general public services; general public services not elsewhere classified, public debt transactions; and transfers of a general character between different levels of government.

4.90 *Defence* (COFOG-A 02) includes transactions from military and civil defence; foreign military aid; research and development on defence; and defence not elsewhere classified.

4.91 *Public order and safety* (COFOG-A 03) includes transactions from police services; fire protection services; law courts; prisons; research and development on public order and safety; and public order and safety not elsewhere classified.

4.92 *Economic affairs* (COFOG-A 04) includes transactions from general and economic affairs, commercial, and labour affairs; agriculture, forestry, fishing and hunting; fuel and energy; mining, manufacturing and construction; communication; other industries; research and development on economic affairs; and economic affairs not elsewhere classified.

4.93 *Environmental protection* (COFOG-A 05) includes transactions from waste management; waste water management; pollution abatement; protection of biodiversity and landscape; research and development on environmental protection; and environmental protection not elsewhere classified.

4.94 *Housing and community amenities* (COFOG-A 06) includes transactions from housing development; community development; water supply; street lighting; research and development on housing and community amenities; and housing and community amenities not elsewhere classified.

4.95 *Health* (COFOG-A 07) includes transactions from medical products, appliances and equipment; outpatient services; hospital services; mental health institutions; community health services; public health services; research and development on health; and health not elsewhere classified.

4.96 *Recreation, culture and religion* (COFOG-A 08) includes transactions from recreational and sporting services; cultural services; broadcasting, publishing and film production services; religious and other community services; research and development on recreation, culture and religion; and recreation, culture and religion not elsewhere classified.

4.97 *Education* (COFOG-A 09) includes transactions from pre-primary and primary education; secondary education; tertiary education; education not definable by level; subsidiary services to education; research and development on education; and education not elsewhere classified.

4.98 *Social protection* (COFOG-A 10) includes transactions from sickness and disability; old age; survivors; family and children; unemployment; housing; social exclusion not elsewhere classified; research and development on social protection; and social protection not elsewhere classified.

4.99 *Transport* (COFOG-A 11) includes transactions from road transport; bus transport; water transport; railway transport; air transport; multi-mode urban transport; pipeline and other transport; research and development on transport and transport not elsewhere classified.

PART E - FINANCIAL STATEMENTS RELATING TO THE GFS FRAMEWORK

4.100 There are four key output statements in the broader GFS framework. Each is made up of financial data from the Department of Finance, state and territory treasuries, local governments, universities, and control not further defined units that contain data classified by relevant classifications in the GFS framework. The primary financial statements relating to the GFS analytical framework are the:

- Statement of operations - this statement (formerly known as the GFS operating statement) records GFS revenues, GFS expenses, and the net acquisition of non-financial assets.
- Statement of sources and uses of cash - this statement (formerly known as the Cash Flow Statement) records cash inflows and outflows during the accounting period.
- Balance sheet - this statement records the stock positions of government assets, liabilities and equity.
- Statement of stocks and flows - this statement records the opening stocks of assets and liabilities, the transactions in these, the value of holding gains and losses (revaluations) and other volume changes, and the closing stocks of assets and liabilities.

4.101 The statement of operations (formerly known as the GFS operating statement) is a summary of the transactions (except transactions in financial assets and liabilities) of a sector or subsector in a given reporting period. It records transactions that increase or decrease net worth such as revenues and expenses, the net investment in non-financial assets, the net acquisition of financial assets, and the net incurrence of liabilities during the reporting period. This statement also facilitates the derivation of key

GFS derived items such as the net operating balance and the net lending (+) / net borrowing (-) position, *net acquisition of non-financial assets and gross fixed capital formation.* The GFS data items that make up the statement of operations are further discussed in Chapter 5 of this manual.

4.102 The statement of sources and uses of cash (formerly known as the cash flow statement) records cash inflows and outflows during the reporting period.

4.103 The balance sheet records the stock positions of assets, liabilities and the net worth of the sector or subsector at the end of the reporting period. The classification of assets and liabilities is further discussed in Chapter 8, Chapter 9 and Chapter 10 of this manual

4.104 The statement of stocks and flows records the opening stocks, transactions, revaluations, other volume changes and closing stocks of assets and liabilities, and contains three analytical items, GFS net worth, net debt and net financial worth.

The statement of operations

4.105 The statement of operations records transactions in revenue, expenses, and non-financial assets. Transactions are classified according to whether they increase net worth (revenue), decrease net worth (expense), or change the stocks of non-financial assets. A broad outline of the statement of operations is given in Table 4.8 below, and the full details can be found in Chapter 5 of this manual.

Table 4.8 - The statement of operations

GFS Revenue
Less
GFS Expense
Equals
GFS Net Operating Balance
Less
Net Acquisition of Non-Financial Assets
Equals
GFS Net Lending (+) / Net Borrowing (-)

4.106 The GFS statement of operations includes two balancing items. The first of these is the net operating balance (NOB) which is used to measure the fiscal effects of government operations, and is derived as total revenue less total expenses. Revenues and expenses are increases or decreases in GFS net worth resulting from transactions. Certain exchange transactions, such as the acquisition of non-financial produced assets for cash, do not change net worth but simply change the composition of assets, liabilities or equity. The net operating balance is equal to the change in net worth due to transactions.

4.107 The gross operating balance is measured as revenue minus expense (other than depreciation ETF 124). The gross operating balance may be used if depreciation is unknown. However, the net operating balance is preferred because it captures all of the cost of government operations during the reporting period.

4.108 The second analytical balance in the GFS statement of operations is the GFS net lending (+) / net borrowing (-). This measures the public sector's financing requirements and is derived as the net operating balance less transactions in non-financial assets. The GFS net lending (+) / net borrowing (-) is equal to the change in net financial worth due to transactions. The GFS statement of operations is further discussed in Chapter 5 of this manual.

The statement of sources and uses of cash

4.109 The statement of sources and uses of cash (formerly known as the cash flow statement in Australian GFS) records the net cash inflows from government operating activities, the net increase / decrease in cash held and the GFS cash surplus / cash deficit. The statement of sources and uses of cash records when cash is received by the government and cash is paid by the government during an accounting period and is important for assessing the liquidity of the general government and public sectors.

4.110 Paragraph 4.34 of the IMF GFSM 2014 recommends that statistics on cash-based monetary flows should reflect transactions as close to the payment stage as possible. In GFS, the cash-based data recorded in the statement of sources and uses of cash are complementary to the data in the accrual GFS statements and form an integral part of the complete GFS framework. Table 4.9 below shows a broad outline of the elements that make up the GFS statement of sources and uses of cash.

Table 4.9 - Statement of sources and uses of cash

Cash flows from operating activities
Cash receipts from operating activities
Less
Cash payments for employee expenses
Less
Cash payments for non-employee expenses
Equals
Net cash flows from operating activities
Plus
Cash flows from investment in non-financial assets
Plus
Cash flows from investments in financial assets for policy purposes
Plus
Cash flows from investments in financial assets for liquidity purposes
Plus
Cash flows from other financing activities
Equals
Net Increase (+) / decrease (-) in cash held
Cash flows from operating activities plus net cash flows from investments in non-financial assets
Equals
GFS Cash Surplus (+) / GFS Cash Deficit (-)

4.111 The cash flows from operating activities is a net measure representing the cash receipts arising from operating activities less cash payments arising from operating activities. Operating activities in this context indicates the types of activities that are recorded in the statement of operations. Cash flows from operating activities include cash receipts from taxation, sales of goods and services, grants and subsidies, property income, and all other revenue earning activities recorded in the operating statement. The item also includes cash payments for employee expenses, including cash contributions to superannuation schemes, purchases of goods and services, and payment of subsidies and grants, current and capital transfers, property expenses and all other expense-incurring activities recorded in the operating statement.

4.112 The GFS cash surplus (+) / GFS cash deficit (-) reflects the level of cash available to governments to either increase financial assets or decrease liabilities. When GFS cash surplus (+) / GFS cash deficit (-) is positive, it indicates there are additional cash funds resulting from the net cash inflow from operating activities and the cash outflow from own account capital formation and investment in other non-financial assets. This residual value reflects the cash available to governments to either increase financial assets or decrease liabilities.

4.113 When GFS cash surplus (+) / GFS cash deficit (-) is negative, it indicates that there is a shortage of residual cash funds as a result from the net cash inflow from operating activities and the cash outflow from investment in non-financial assets. This identifies the extent to which a government needs to run down its financial assets or borrow in order to finance the cash shortfall.

4.114 The net cash flows from other financing activities is a net measure representing the cash flows from advances received, borrowing, deposits received, and other financing.

4.115 The net change in the stock of cash measures the change in the stock of cash by adding the cash surplus (+) / cash deficit (-) to the net cash inflows from financing activities.

4.116 The statement of sources and uses of cash is further discussed in Chapter 12 of this manual.

The balance sheet

4.117 The balance sheet records the stock positions of assets and liabilities at the beginning of a reporting period and at the end of a reporting period. The balancing item of the balance sheet is GFS net worth which represents the total value of assets minus the total value of liabilities. Table 4.10 shows a broad outline of the elements that make up the GFS balance sheet.

Table 4.10 - The balance sheet

Balance sheet item	**Opening Balance Sheet**	**Closing Balance Sheet**
Financial Assets	*xx*	*xx*
Plus		
Non-Financial Assets	*xx*	*xx*
Less		
Liabilities	*xx*	*xx*
=		
GFS Net Worth	***xx***	***xx***

4.118 The assets that are included in the GFS balance sheet are economic assets. These are defined as resources 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 that are not owned and controlled by a reporting unit or sector, and assets that have no economic value are excluded from the balance sheet. In the GFS balance sheet, assets are recorded as either financial assets or non-financial assets.

4.119 Financial assets are assets in the form of financial claims on other economic units. They are the counterparts of the liabilities of the units on which the claims are held (except in the case of monetary gold) and so are often referred to together in GFS. Financial assets comprise all of the elements in the financial asset and liability classification (FALC) that classifies *financial assets* (FALC 1). These include *currency and deposits* (FALC 11); *debt securities and related assets* (FALC 12); *loans and placements* (FALC 13); *insurance, superannuation, and standardised guarantee schemes* (FALC 14); and *other financial assets* (FALC 15).

4.120 Non-financial assets are all economic assets other than financial assets. Non-financial assets comprise all of the elements in the non-financial asset classification (NFAC). These include non-financial produced assets in the form of *buildings and structures* (NFAC 11); *machinery and equipment* (NFAC 12); *cultivated biological resources* (NFAC 13); *intellectual property products* (NFAC 14) and *weapons systems* (NFAC 15). Also included as non-financial assets are other non-financial produced assets in the form of *inventories* (NFAC 21); *valuables* (NFAC 22); and *other non-financial produced assets* (NFAC 23). Further included as non-financial assets are non-financial non-produced assets in the form of *tangible non-produced assets* (NFAC 31); *intangible non-produced assets* (NFAC 32) and *other non-produced assets* (NFAC 33).

4.121 Liabilities are defined as the obligation to provide funds or other resources of economic value to another unit. Liabilities are the counterparts of financial assets in GFS (with the exception of monetary gold in the form of gold bullion held as reserves). Liabilities comprise all of the elements in the financial asset and liability classification (FALC) that classifies *liabilities* (FALC 2). These include *currency and deposits* (FALC 21); *debt securities and related liabilities* (FALC 22); *loans and placements* (FALC 23); *insurance, superannuation, and standardised guarantee schemes* (FALC 24); and *other liabilities* (FALC 25).

4.122 The GFS balance sheet also contains several memorandum items. These record additional information of analytic interest on specific items for GFS purposes. Memorandum items in GFS differ to those in commercial accounting in that they are mandatory rather than optional. The memorandum items to the GFS balance sheet are recorded as part of the supplementary information in GFS, and include *implicit transfers* (ETF 711); *liabilities in arrears and related charges* (ETF 712); and *non-performing loans* (ETF 713). Memorandum items are further discussed in Appendix 1 Part B of this manual.

4.123 Further discussion on the GFS balance sheet and the elements that comprise it, can be found in Chapter 8, Chapter 9, Chapter 10, Chapter 15, and Appendix 1 Part A of this manual.

The statement of stocks and flows

4.124 As with the GFS balance sheet (see Chapter 8 of this manual), the statement of stocks and flows records assets and liabilities and GFS net worth. However, the statement of stocks and flows also records the opening stocks, transactions, revaluations, other volume changes and closing stocks of the assets and liabilities, with the analytical items shown as GFS net worth, net debt and net financial worth. Table 4.11 shows a broad outline of the elements that make up the GFS statement of stocks and flows.

Table 4.11 - The statement of stocks and flows

Balance sheet item	**Opening Stocks**	**Transactions**	**Revaluations**	**Other Volume Changes**	**Closing Stocks**
Assets Non–financial assets Financial assets Total assets	 *xx* *xx* *xx*	 *xx* *xx* *xx*	 *xx* *xx* *xx*	 *xx* *xx* *xx*	 *xx* *xx* *xx*
Less					
Liabilities	*xx*	*xx*	*xx*	*xx*	*xx*
Equals					
GFS net worth	*xx*	*xx*	*xx*	*xx*	*xx*
Plus					
Net debt	*xx*	*xx*	*xx*	*xx*	*xx*
Equals					
Net financial worth	*xx*	*xx*	*xx*	*xx*	*xx*

4.125 In parallel to the GFS balance sheet, the assets that are included in the statement of stocks and flows are recorded as either financial assets or non-financial assets. Financial assets are assets in the form of financial claims on other economic units, and they appear in the statement of stocks and flows as currency and deposits; advances paid; investments, loans and placements; other non-equity assets; equity; and other financial assets. In GFS, financial assets are the counterparts of the liabilities of the units on which the claims are held (for further information (see Chapter 8 and Chapter 9 of this manual for further information).

4.126 Non-financial assets are all assets other than financial assets, and they appear in the statement of stocks and flows as non-financial produced assets, inventories, valuables, land, other non-produced assets, and other non-financial assets (see Chapter 8 and Chapter 10 of this manual for further information).

4.127 The liabilities recorded in the statement of stocks and flows include deposits held, advances received; borrowing; unfunded superannuation and other employee entitlements; and other non-equity liabilities (see Chapter 8 and Chapter 9 of this manual for further information).

4.128 Also recorded as part of the statement of stocks and flows are net debt and net financial worth. Further detail of the elements that make up the statement of stocks and flows may be found in Chapter 15 of this manual.

Other statements in GFS

4.129 There are six other output statements in GFS whose compilation is required for international statistical reporting purposes, and are published as output by the ABS. These are:

- The statement of total changes in net worth;
- The summary statement of explicit contingent liabilities and implicit contingent liabilities;
- The statement of stocks and flows of financial assets and liabilities by source; and
- Gross public sector debt at market value by level of government subsector;
- Net public sector debt at market value by level of government subsector; and
- The presentation of debt instruments by market value by maturity.

4.130 The statement of total changes in net worth combines elements of the statement of operations and the statement of stocks and flows in the one statement, and serves to highlight the total changes in net worth of government. Paragraph 4.46 of the IMF GFSM 2014 notes that the statement of total changes in net worth provides a clear statistical explanation of the factors causing the change in the net worth of government. It explains the sources of changes in assets and liabilities from one reporting period to another in terms of transactions in revenue and expense and other economic flows. For further information please see Chapter 15 of this manual.

4.131 The summary statement of explicit contingent liabilities and net implicit obligations for future social security benefits records explicit contingent liabilities such as one-off guarantees, and implicit contingent liabilities such as the present value of implicit obligations for future social security benefits in the one statement. In this context, social security benefits relate to the international concept of the social security schemes. At the time of writing, there are no such social security schemes in Australia. For further information please see Chapter 15 of this manual.

4.132 The classification of stocks and flows by financial asset and liabilities by source records the opening stocks of financial assets and liabilities, the transactions, holding gains and losses (revaluations), other economic flows and the closing stocks. In this classification, financial assets and liabilities are split into domestic and foreign financial assets / liabilities and whether these are bank or non-bank items. The ABS records the classification of stocks and flows by financial asset and liabilities by source as an indicator of default risk. For further information please see Chapter 15 of this manual.

4.133 Gross public sector debt at market value by level of government subsector records debt instruments at their current market value, and by level of government subsector on the gross basis. In this statement, the market value debt instruments are recorded for the Commonwealth general government, total general government sector, total public non-financial sector and total public financial sector on the gross basis. For further information please see Chapter 15 of this manual.

4.134 Net public sector debt at market value by level of government subsector records debt instruments at their current market value, and by level of government subsector on the net basis. In this statement, the market value debt instruments are recorded for the Commonwealth general government, total general government sector, total public non-financial sector and total public financial sector on the net basis. For further information please see Chapter 15 of this manual.

4.135 The presentation of debt instruments at market value by maturity records government debt instruments at market value into:

- Short term debt by original maturity;
- Long term debt by original maturity - with payment due in one year or less;
- Long term debt by original maturity - with payment due in more that one year (long term debt by remaining maturity); and
- Short term debt by remaining maturity.

4.136 The ABS records debt instruments at market value by maturity to provide data that assists in managing liquidity risk. For further information please see Chapter 15 of this manual.

CHAPTER 5 - THE STATEMENT OF OPERATIONS

PART A - INTRODUCTION

5.1 The GFS statement of operations (formerly named the *operating statement*) forms the second column of the GFS analytical framework (see Diagram 4.1 of this manual). This statement records transactions that increase or decrease net worth such as revenues and expenses, the net investment in non-financial assets, the net acquisition of financial assets, and the net incurrence of liabilities during the reporting period. This statement also facilitates the derivation of key GFS analytical aggregates such as the net operating balance and the net lending (+) / net borrowing (-) position.

5.2 It is important to note that although it is conceptually correct to include transactions in financial assets and liabilities (ETF 3) as part of the statement of operations, they do not form part of the ABS GFS published statement, The published statement of operations records only transactions that increase and decrease net worth, and ends at the GFS net lending (+) / net borrowing (-) position as illustrated in Diagram 4.1 of this manual. However, transactions in financial assets and liabilities (ETF 3) are reported as part of the statement of operations for international reporting purposes.

5.3 This chapter examines the elements that comprise the statement of operations including transactions in revenue and expense, the net acquisition of non-financial assets, the key analytical aggregates, and the broad classification of the statement of operations.

PART B - TRANSACTIONS IN REVENUE AND EXPENSES

5.4 Transactions represent economic flows that are interactions between institutional units by mutual agreement or through the operation of the law (see Chapter 4 of this manual for further information on transactions). The GFS statement of operations records transactions that increase or decrease net worth in the form of revenue (ETF 11) and expenses (ETF 12), but excludes economic flows such as holding gains and losses (ETF 51) and other changes in the volume of assets and liabilities (ETF 52).

Transactions in revenue

5.5 Revenue (ETF 11) is defined as an increase in net worth resulting from transactions. The main way that governments raise revenue is through the imposition of taxes on individuals and businesses, sales of goods and services, property income, other current revenue, and capital revenue.

5.6 Paragraph 4.23 of the IMF GFSM 2014 states that the disposal of a non-financial asset by sale or barter is not considered to be revenue because it has no effect on net worth. Rather, it changes the composition of the balance sheet by exchanging one asset (the non-financial asset) for another (the proceeds of the sale). Similarly, amounts receivable from loan repayments and loan disbursements are not considered to be revenue.

Transactions in expenses

5.7 Expenses (ETF 12) are defined as the decrease in net worth resulting from transactions. The most common types of expenses for most public sector units are employee expenses and transfer expenses. Expenses are incurred by public sector units when supplying goods and services to the community.

5.8 Paragraph 6.2 of the IMF GFSM 2014 states that a government unit may generate expenses by producing goods and services itself and distributing them, purchasing them from a third party and distributing them, or transferring cash to households so they can purchase the goods and services directly.

PART C - THE KEY ANALYTICAL AGGREGATES OF THE STATEMENT OF OPERATIONS

5.9 Analytical aggregates are economic constructs that are obtained by calculating the sum and / or residual values of various GFS aggregates and are particularly useful in fiscal analysis. The analytical aggregates that are recorded in the GFS statement of operations are the net acquisition of non-financial assets, the GFS net operating balance, and GFS net lending (+) / net borrowing (-).

The net acquisition of non-financial assets

5.10 Non-financial assets are defined as economic assets other than financial assets. The net acquisition in non-financial assets records the transactions that change a government's net investment in non-financial assets. The calculation of the net acquisition of non-financial assets is shown in Table 5.1 below:

Table 5.1 - The net acquisition of non-financial assets

Acquisitions of fixed assets (ETF 411, NFAC 1)
less:
Disposals of fixed assets (ETF 421, NFAC 1, SDC)
equals:
Gross fixed capital formation (derived by the ABS)
plus:
Change in inventories (ETF 4111, NFAC 21)
plus:
Other acquisitions of non-financial assets (ETF 4112, ETF 4113, ETF 4114, ETF 4115, ETF 4116, NFAC 22, NFAC 23, NFAC 3, SDC (excluding ETF 4113), COFOG-A)
less:
Disposals of non-financial assets (ETF 4211, NFAC 2, NFAC 3, SDC, COFOG-A)
less:
Depreciation (ETF 124, NFAC 1)
equals:
Net acquisition of non-financial assets

The net operating balance

5.11 GFS net operating balance is a key analytical balance in the GFS statement of operations. It is derived by subtracting total expenses from total revenues in the GFS. The net operating balance may be positive or negative in value. When the net operating balance is positive, it indicates that surplus funds have been generated from current operations and are available to finance capital acquisitions. When the net operating balance is negative, it indicates that a shortfall has been incurred on current operations and that it has been necessary to liquidate assets, incur liabilities or increase equity in order to finance the operations. The net operating balance is comparable to the national accounts concept of saving plus net capital transfers receivable.

5.12 The gross operating balance is derived by adding depreciation (ETF 124) to the net operating balance. However, the net operating balance is the preferred measure because it captures all of the operating costs during the reporting period.

GFS net lending (+) / net borrowing (-)

5.13 GFS net lending (+) / net borrowing (-) is the summary balance of GFS revenue minus GFS expenses minus transactions in non-financial assets. This is represented by the net operating balance minus the net acquisition of non-financial assets. The GFS net lending (+) / net borrowing (-) is equivalent in concept to the national accounting balance of the same name, but may not be equal in value due to some measurement differences for government. The GFS net lending (+) / net borrowing (-) position may be positive or negative. When positive, it indicates a surplus of funds that may be used to purchase assets and / or repay liabilities. When GFS net lending (+) / net borrowing (-) is negative, it indicates that there are insufficient funds available to finance current operations, and may require the liquidation of assets or the incurrence of liabilities to continue to fund current operations.

Gross Fixed Capital Formation (GFCF)

5.14 Gross fixed capital formation is measured as acquisitions of fixed assets (ETF 411, NFAC 1) less disposals of fixed assets (ETF 421, NFAC 1). Fixed assets are goods and services that are used in production for more than 1 year. Valuables are excluded from GFCF because, although they may be produced assets, valuables are not used in production. Although inventories form part of capital formation, they do not form part of GFCF because inventories have a production life of less than one year.

PART D - THE BROAD CLASSIFICATION OF THE STATEMENT OF OPERATIONS

5.15 The broad classification of the statement of operations is presented in Table 5.2 below. The more detailed classification of revenue and expenses may be found in Chapter 6, Chapter 7 and Appendix 1 Part A of this manual.

Table 5.2 - The broad classification of the statement of operations

Descriptor	Classification codes
Revenue and expenses	**ETF 1**
Revenue	**ETF 11 (A)**
Taxation revenue	ETF 111
Sales of goods and services	ETF 112
Property income	ETF 113
Other current revenue	ETF 114
Capital revenue	ETF 115
Expenses	**ETF 12 (B)**
Superannuation expenses	ETF 121
Other employee expenses	ETF 122
Non-employee expenses	ETF 123
Depreciation	ETF 124
Current transfer expenses	ETF 125
Capital transfer expenses	ETF 126
Interest expenses	ETF 127
Other property expenses	ETF 128
Net Operating Balance (Revenue less Expenses)	**A - B = C**
less: **Net acquisition of non-financial assets**	**D**
Gross fixed capital formation	ETF 411, NFAC 1 less ETF 421, NFAC 1
plus: Change in inventories	ETF 4111, NFAC 21

plus: Other acquisitions of non-financial assets	ETF 4112, SDC, ETF 4113, ETF 4114, SDC, ETF 4115, SDC, ETF 4116, SDC, NFAC 22, NFAC 23, NFAC 3, COFOG-A
less: Disposals of non-financial assets	ETF 421, NFAC 2, NFAC 3, SDC, COFOG-A
less: Depreciation	ETF 124, NFAC 1
Net lending (+) / **Net borrowing (-)** (Net operating balance minus Net acquisition of non-financial assets)	C - D

CHAPTER 6 - REVENUE

PART A - INTRODUCTION

6.1 The GFS statement of operations (formerly called the *operating statement* in Australian GFS) identifies the revenues generated and expenses incurred by public sector units during the current reporting period on an accruals basis. The GFS statement of operations is broadly structured along the lines of a profit and loss, income and expenditure, or similar operating statement published as part of general purpose financial reporting, but there are also several differences. This chapter defines the concept of revenue and describes the manner in which it is classified in GFS.

PART B - DEFINING REVENUE

6.2 Revenue is defined as all increases in net worth resulting from transactions. Revenue consists mainly of taxation revenue, sales of goods and services, property income, other current revenue, and capital revenue. Paragraph 5.1 of the IMF GFSM 2014 notes that the most common source of revenue for most general government units is from taxation revenue. Public corporations cannot levy taxes, but commonly derive the majority of their revenue from property income and the sale of goods and services. Each of the elements that comprise revenue are discussed individually below.

Taxation revenue

6.3 In Australia, government revenue is generated through the taxation of individuals, corporations, property, products, production, and other taxes. Taxes are defined in paragraph 5.2 of the IMF GFSM 2014 as compulsory, unrequited amounts receivable by government units from institutional units, which may be receivable in cash or in kind. Taxation revenue is considered to be unrequited because there is no clear and direct link between the payment of taxes by an individual or entity, and the provision of goods and services by government in exchange for the payment. The amount of tax revenue accruing in a period is the amount generated when the underlying transactions or events which give rise to the government's right to collect the taxes occur in that period.

6.4 Governments may use the tax revenue collected to provide goods or services to other units, either individually or to the community as a whole. Where the government charges for a service such as issuing licences, but the revenue raised is clearly out of all proportion to the cost of providing the service, then it is classified as taxation revenue rather than sales of goods and services in GFS. The treatment of government taxes versus government fees for services is further discussed in Chapter 13 Part J of this manual.

Tax attribution

6.5 The attribution of a tax refers to the arrangement where taxes are collected by one government unit and then passed on to a second government unit. Depending on the arrangement, the taxes passed onto the second government unit may be reassigned as tax revenue of that unit, or recorded as tax revenue of the collecting unit and a grant recorded from the collecting unit to the second government unit.

6.6 In Australian GFS, tax is attributed to the government unit that:

(a) Exercises the authority to impose the tax (either as principal or through the delegated authority of the principal);
(b) Has final discretion to set and vary the rate of the tax; and
(c) Has discretion over the distribution of funds.

6.7 In the case of the Goods and Services Tax (GST), the tax is levied under the authority of the Commonwealth, who has the final discretion to set and vary the rate of the tax and final discretion over the distribution of the funds. Therefore, the GST is treated as a Commonwealth tax in GFS. In Australian GFS, because GST is recorded as a Commonwealth tax, a grant is also recorded from the Commonwealth to the states and territories, as the Commonwealth distributes all of the GST.

Sales of goods and services

6.8 Sales of goods and services refer to revenues from the direct provision of goods and services by general government and public corporations, excluding GST. Sales of goods and services include fees and charges for services rendered by general government and public corporations; the sale of goods and services by market establishments; administrative fees charged for services; revenues of general government units for work done when acting as an agent for other government and private units; incidental sales by non-market establishments; and imputed sales of goods and services.

6.9 Governments may regulate certain activities by issuing licences, for which fees are payable. The service may include activities such as checking the competency or qualifications of a would-be licensee. If the service charge is clearly out of all proportion to the cost of providing the service then the revenue raised is deemed to be taxation revenue rather than revenue from the sales of goods and services. In certain circumstances it may be conceptually justifiable to split the payment, e.g. treating a portion of the payment as the sale of goods and services and the remaining portion as a tax. It may be appropriate to adopt this treatment in situations where a product of measurable benefit is provided to the payer and the case is economically significant. The treatment of sales of goods and services is further discussed in Chapter 13 Part J of this manual.

Property income

6.10 Property income refers to income accrued from the ownership of financial assets or tangible non-produced assets (mainly land and sub-soil assets). Property income accrues when the owners of such assets put them at the disposal of other entities. Revenue from property income on financial assets is in the form of interest, dividends, income from public corporations, profits from investment in investment funds or direct investment in private corporations. Revenue from property income on land and sub-soil assets is in the form of land rent and royalty income.

Transfer revenue

6.11 A common source of revenue for government units is income received from transfers. Paragraph 3.10 of the IMF GFSM 2014 defines a transfer as a transaction in which one unit provides a good, service, asset, or labour to a second unit without receiving simultaneously a good, service, asset, or labour of any value in return as a direct counterpart. In GFS, transfers are recognised as either current transfers or capital transfers, with the distinction being based on the nature of the activities or the types of assets for which the transfers are made. If the activities relate to the acquisition of assets (other than inventories) that will be used in the production of government goods and services for one year or more, then the transfers are treated as capital transfers. Otherwise, the transfer is treated as a current transfer.

6.12 Current transfer revenues are amounts receivable for current purposes for which no economic benefits are payable in return. These are reported as *revenue from current grants and subsidies* (ETF 1141, SDC), and include grants received for current purposes from private non-profit institutions serving households, grants from foreign governments and organisations (including grants from aid projects), and current grants from one level of government to another (e.g. Commonwealth to state / territory). Also included are subsidies, which are defined in paragraph 5.146 of the IMF GFSM 2014 as current unrequited transfers received by public enterprises on the basis of the level of their production activities, or the quantities or values of the goods and services they produce, sell, export or import. Subsidies include transfers receivable by public corporations to offset recurring losses that are a consequence of government policy to maintain the corporations' prices at a level that does not cover the cost of production.

6.13 Capital transfer revenues are receipts of a capital nature for which no economic benefits are payable in return. Capital transfers are usually non-recurrent and irregular for donor or recipient. Capital transfer revenues are reported as *revenue from capital grants* (ETF 1151, SDC), and include grants received for capital purposes from private non-profit institutions serving households, capital grants from foreign governments and organisations (including grants from aid projects), and capital grants from one level of government to another (e.g. Commonwealth to state / territory). Also included are transfers received for the damage or destruction of non-financial assets, and transfers to increase financial capital.

6.14 Paragraph 3.18 of the IMF GFSM 2014 indicates that it is possible that some cash transfers may be regarded as capital by one party to the transaction and as current by the other party. So that a donor and a recipient do not treat the same transaction differently, a transfer should be classified as capital for both parties, if it involves the acquisition or disposal of an asset, or assets. However, if there is doubt about whether a transfer should be treated as current or capital, it should be treated as a current transfer.

PART C - THE TIME OF RECORDING REVENUE

6.15 In GFS, revenue is recorded on an accruals basis in the period in which it occurs rather than when payment is received. Consequently, all economic activities, transactions, or other events, are recorded at the point in time when they create an unconditional claim for the government unit or public corporation to receive the revenue.

6.16 Under an accruals basis of reporting, the time period between the moment when a revenue transaction occurs and payment is received is bridged by an account receivable. However, in the case of the receipt of pre-payments of revenue that cover two or more reporting periods into the future, paragraph 5.13 of the IMF GFSM 2014 indicates that the pre-payment is taken to be a financial advance that is made to a public sector unit by the payee and constitutes a liability of the public sector unit and an asset of the payee. The receipt of pre-payments of revenue to a public sector unit covering two or more periods should be recorded as *transactions in liabilities - accounts payable* (ETF 3211, FALC 252, SDC). The accounts payable liability is extinguished as the revenue falls due in the future periods. This treatment should be used to record advances for the provision of goods and services that will be delivered in the future, capital grants received for the construction of non-financial produced assets over a number of years, and other deferred revenues covering two or more reporting periods into the future.

6.17 In the GFS statement of sources and uses of cash, cash receipts from operating activities are recorded when the cash is received or paid.

Timing adjustments to revenue

6.18 Recording revenue data on an accruals basis can create difficulties if there is a delay between the time that the economic activity occurs and the time that payment is received, especially in the quarterly GFS series. In Australian GFS, revenue may not be reported on an accruals basis by treasuries, the Department of Finance and local governments for various reasons such as:

- Financial data may be uploaded by individual government agencies to a central system on an annual or biannual basis;
- Revenue collection and billing cycles are annual or biannual; or
- Appropriate closing and other journal entries have not been made to properly accrualise the data for the period in question, i.e. a raw dump of the ledger has been provided.

6.19 In most cases, the receipt of revenue from land tax is recorded on an annual basis by State Revenue Offices, however, use of the land for economic activity occurs continuously throughout the year. Where data relating to continuous economic activity are reported on an annual or biannual basis, the ABS practice is to proportion the reported data equally over four financial quarters (in consultation with the relevant state or territory treasury, the Department of Finance, or local governments) to better represent the spread of the economic activity. Generally, this is done by pro-rating the data across the four quarters while aligning to the reported year-to-date figures.

6.20 There are other revenue items which may attract timing adjustments by the ABS, but which are less frequent. These include the under or over estimation of taxation revenue or royalty income from rents received from natural resources, or for the amendment of data errors. The timing adjustment to data reported for these three issues are discussed below.

Under or over estimation of taxation revenue

6.21 Taxation revenue may further require timing adjustments in cases where taxes on income may be under or over stated. This can sometimes occur if there are delays between the generation of income tax under a

Pay-As-You-Earn (PAYE) system and the lodging of an income tax return by an individual or corporation. For example, an individual may earn income in the current period but not lodge their tax return until a future period. This means the government cannot record the taxation revenue until a tax return is lodged by the individual and a tax assessment is made by the Australian Taxation Office, and this may lead to under or over estimation in taxation revenue.

6.22 Adjustments to taxation revenue may also occur due to reassessments of taxation liabilities through a court case or other such investigation. Paragraph 5.20 of the IMF GFSM 2014 states that if transactions are recorded for taxes (and other revenue) that overestimate the amount of revenue receivable, an adjustment should be recorded in the GFS framework to reduce taxation revenue with a corresponding reduction in *transactions in financial assets - accounts receivable* (ETF 3111, FALC 152, SDC).

6.23 Paragraph 3.79 of the IMF GFSM 2014 notes that contested tax assessments (as part of an active court case or other investigation) are treated as contingent liabilities and are excluded from taxation revenue. If a new tax liability is assessed after a court case or other investigation has concluded, then the new amount of taxation revenue is recorded in the usual way. Adjustments for under or over reporting of taxation revenue is made by the ABS in consultation with the relevant state or territory treasury or the Department of Finance

Under or over estimation of royalty income

6.24 Royalty income refers to rents received for the use of government owned non-produced assets such as minerals, fossil fuels, and other natural resources. Extractors of natural resources usually make royalty rent payments to the government on an annual or biannual basis even though the production that gives rise to the royalty rent payments may occur continuously throughout the year. As is the case of under or over estimated taxation revenue, if an under or over estimation of royalty income is recorded, then an adjustment is recorded in the period that it is detected. Any adjustments to *royalty income* (ETF 1135, SDC) (especially for the quarterly GFS series) is undertaken by the ABS in consultation with the relevant state or territory treasury, the Department of Finance, or local governments.

Adjustments for the amendment of data errors

6.25 Where quarterly data are volatile and result in large movements that do not have a plausible economic explanation, the ABS may apply timing adjustments to better represent the underlying economic activity rather than the financial reporting of the activity. This often means a reduction to the relevant revenue item with a corresponding reduction *transactions in financial assets - accounts receivable* (ETF 3111, FALC 152, SDC) for over estimations, or vice versa for under estimations for revenue received. In all cases, adjustments for under or over reporting of revenue are made by the ABS in consultation with the relevant state or territory treasury, the Department of Finance, or local government.

PART D - THE CLASSIFICATION OF REVENUE

6.26 In the GFS system, revenue is classified according to different characteristics such as the type of revenue (using the economic type framework (ETF) codes), the source of the revenue (using an appropriate source destination classification (SDC) code), and in some cases by purpose (using an appropriate code within the classification of the functions of government - Australian (COFOG-A). For taxation revenue, the classification is further determined by the base on which the tax is levied using the taxes classification (TC) codes. The detailed revenue classification is shown in Table 6.1 below.

Table 6.1 - Detailed classification of revenue

Descriptor	Classification codes
Revenue	**ETF 11**
Taxation revenue	**ETF 111**
Taxes on income	ETF 1111, TC 111, SDC; or ETF 1111, TC 112, SDC; or ETF 1111, TC 113, SDC; or ETF 1111, TC 114, SDC; or ETF 1111, TC 115, SDC; or ETF 1111, TC 119, SDC; or ETF 1111, TC 121, SDC; or ETF 1111, TC 122, SDC; or ETF 1111, TC 123, SDC; or ETF 1111, TC 124, SDC; or ETF 1111, TC 129, SDC; or ETF 1111, TC 131, SDC; or ETF 1111, TC 132, SDC; or ETF 1111, TC 139, SDC.
Other current taxes	ETF 1112, TC 116, SDC; or ETF 1112, TC 511, SDC 913; or ETF 1112, TC 512, SDC 913; or ETF 1112, TC 513, SDC 913; or ETF 1112, TC 514, SDC 913; or ETF 1112, TC 533, SDC 913.
Taxes on products	ETF 1113, TC 411, SDC; or ETF 1113, TC 412, SDC; or ETF 1113, TC 421, SDC; or ETF 1113, TC 422, SDC; or ETF 1113, TC 423, SDC; or ETF 1113, TC 424, SDC; or ETF 1113, TC 425, SDC; or ETF 1113, TC 426, SDC; or ETF 1113, TC 429, SDC; or ETF 1113, TC 431, SDC; or ETF 1113, TC 432, SDC; or ETF 1113, TC 433, SDC; or ETF 1113, TC 439, SDC; or ETF 1113, TC 441, SDC; or ETF 1113, TC 442, SDC; or ETF 1113, TC 443, SDC; or ETF 1113, TC 444, SDC; or ETF 1113, TC 445, SDC; or ETF 1113, TC 449, SDC; or ETF 1113, TC 451, SDC; or ETF 1113, TC 452, SDC; or ETF 1113, TC 459, SDC; or ETF 1113, TC 461, SDC; or ETF 1113, TC 462, SDC; or ETF 1113, TC 463, SDC; or ETF 1113, TC 464, SDC; or ETF 1113, TC 465, SDC; or ETF 1113, TC 469, SDC
Other taxes on production	ETF 1114, TC 211, SDC; or ETF 1114, TC 212, SDC; or ETF 1114, TC 219, SDC; or ETF 1114, TC 311, SDC; or ETF 1114, TC 312, SDC; or ETF 1114, TC 313, SDC; or ETF 1114, TC 314, SDC; or ETF 1114, TC 319, SDC; or ETF 1114, TC 511, SDC (*except for SDC 913*); or ETF 1114, TC 512, SDC (*except for SDC 913*); or ETF 1114, TC 513, SDC (*except for SDC 913*); or ETF 1114, TC 514, SDC (*except for SDC 913*); or ETF 1114, TC 519, SDC (*except for SDC 913*); or ETF 1114, TC 521, SDC; or ETF 1114, TC 522, SDC; or ETF 1114, TC 523, SDC; or ETF 1114, TC 524, SDC; or ETF 1114, TC 529, SDC; or

	ETF 1114, TC 531, SDC; or ETF 1114, TC 532, SDC; or ETF 1114, TC 534, SDC (*except for SDC 913*); or ETF 1114, TC 535, SDC; or ETF 1114, TC 539, SDC.
Capital taxes	ETF 1115, TC 321, SDC
Sales of goods and services	**ETF 112**
Sales by market establishments	ETF 1121 COFOG-A SDC
Administrative fees	ETF 1122 COFOG-A SDC
Incidental sales by non-market establishments	ETF 1123 COFOG-A SDC
Imputed sales of goods and services	ETF 1124 COFOG-A SDC
Property income	**ETF 113**
Interest income	ETF 1131 SDC
Dividend income	ETF 1132 SDC
Withdrawals from income of quasi-corporations	ETF 1133 SDC
Land rent income	ETF 1134 SDC
Royalty income	ETF 1135 SDC
Revenue from investment funds	ETF 1136 SDC
Reinvested earnings on foreign direct investment	ETF 1137 SDC
Property income not elsewhere classified	ETF 1139 SDC
Other current revenue	**ETF 114**
Revenue from current grants and subsidies	ETF 1141 SDC
Fines, penalties and forfeits	ETF 1142 SDC
Premiums, fees and current claims related to non-life insurance and standardised guarantee schemes	ETF 1143 SDC
Other current revenue not elsewhere classified	ETF 1149 SDC
Capital revenue	**ETF 115**
Revenue from capital grants	ETF 1151 SDC
Assets acquired below market value	ETF 1152 NFAC COFOG-A SDC
Capital claims related to non-life insurance and standardised guarantee schemes	ETF 1153 SDC
Capital revenue not elsewhere classified	ETF 1159 SDC

Taxation revenue (ETF 111)

6.27 Taxation revenue makes up the largest proportion of government revenue in Australia. *Taxation revenue* (ETF 111) consists of direct input data from state and territory treasuries, the Department of Finance, and local governments. In the GFS system, *taxation revenue* (ETF 111) is further classified as:

- *Taxes on income* (ETF 1111, TC, SDC);
- *Other current taxes* (ETF 1112, TC, SDC);
- *Taxes on products* (ETF 1113, TC, SDC);
- *Other taxes on production* (ETF 1114, TC, SDC); and
- *Capital taxes* (ETF 1115, TC, SDC).

Taxes on income (ETF 1111, TC, SDC)

6.28 *Taxes on income* (ETF 1111, TC, SDC) are defined as government revenue received from taxes assessed on the actual or presumed incomes of institutional units. These types of taxes are payable by either resident or non-resident individuals, corporations or other enterprises. Paragraph 5.41 of the IMF GFSM 2014 notes that this classification item includes revenue from taxes assessed on holdings of property, land or real estate when these holdings are used as a basis for estimating the income of their owners. By incorporating the appropriate tax classifications (TC) (see Appendix 1 Part A of this manual for full TC listing), *taxes on income* (ETF 1111, TC, SDC) are further classified as:

- *Personal income tax* (ETF 1111, TC 111, SDC);
- *Government health insurance levy* (ETF 1111, TC 112, SDC);
- *Mining withholding tax* (ETF 1111, TC 113, SDC);
- *Capital gains tax on individuals* (ETF 1111, TC 114, SDC);
- *Prescribed payments by individuals* (ETF 1111, TC 115, SDC);
- *Other income tax levied on individuals* (ETF 1111, TC 119, SDC);
- *Company income tax* (ETF 1111, TC 121, SDC);
- Income tax paid by superannuation funds (ETF 1111, TC 122, SDC);
- *Capital gains taxes on enterprises* (ETF 1111, TC 123, SDC);
- *Prescribed payments by enterprises* (ETF 1111, TC 124, SDC);
- *Income and capital gains taxes levied on enterprises not elsewhere classified* (ETF 1111, TC 129, SDC);
- *Dividend withholding tax* (ETF 1111, TC 131, SDC);
- *Interest withholding tax* (ETF 1111, TC 132, SDC); and
- *Other income tax levied on non-residents* (ETF 1111, TC 139, SDC).

Personal income tax (ETF 1111, TC 111, SDC)

6.29 *Personal income tax* (TC 1111, TC 111, SDC) is a type of taxation revenue which consists of taxes levied on the net income or profits of individuals. Such taxes are usually levied on the total declared (or presumed) income from all sources of the individual, including compensation of employees (e.g. wages, salaries, tips, fees, commissions, and fringe benefits), property income (such as interest, dividends, rent and royalty incomes) and pensions (such as the taxable portion of social security benefits, pensions, annuities, life insurance and other retirement benefit distributions) after deducting certain allowances in accordance with income tax laws. Included in this classification category is personal income tax deducted by employers (Pay-As-You-Earn taxes), taxes on the income of owners of unincorporated enterprises, and taxes on the income of family estates and trusts where the beneficiaries are individuals.

Government health insurance levy (ETF 1111, TC 112, SDC)

6.30 The *government health insurance levy* (ETF 1111, TC 112, SDC) is a type of taxation revenue which consists of the higher rate of tax on the income of taxpayers without other health insurance cover, to finance the payment of Commonwealth medical and hospital benefits. These were known as Medibank during the period 1 October 1976 to 1 November 1978, and Medicare from 1 February 1984 onwards.

Mining withholding tax (ETF 1111, TC 113, SDC)

6.31 The *mining withholding tax* (ETF 1111, TC 113, SDC) is a type of taxation revenue which consists of income tax on royalty payments made after 30 June 1979 to Aboriginal people and Aboriginal groups and bodies, in respect to mining and exploration activities on Aboriginal land. Whilst the liability for the tax rests with the Aboriginal people, the tax payable is deducted from the mining royalty payments and is paid directly by the mining companies involved.

Capital gains tax on individuals (ETF 1111, TC 114, SDC)

6.32 *Capital gains tax on individuals* (ETF 1111, TC 114, SDC) is a type of taxation revenue which consists of taxes levied on capital gains made by resident households, individual proprietorships and partnerships. The taxes are usually payable on nominal rather than real capital gains, and on realised rather than unrealised capital gains.

Prescribed payments by individuals (ETF 1111, TC 115, SDC)

6.33 *Prescribed payments by individuals* (ETF 1111, TC 115, SDC) are a type of taxation revenue which consist of taxes collected from individuals by the Commonwealth under the Prescribed Payments System.

Income and capital gains taxes levied on individuals not elsewhere classified (ETF 1111, TC 119, SDC)

6.34 *Income and capital gains taxes levied on individuals not elsewhere classified* (ETF 1111, TC 119, SDC) is a type of taxation revenue which consists of income taxes levied on individuals other than *personal income tax* (ETF 1111, TC 111, SDC), the *government health insurance levy* (ETF 1111, TC 112, SDC), the *mining withholding tax* (ETF 1111, TC 113, SDC), *capital gains tax on individuals* (ETF 1111, TC 114, SDC), *prescribed payments by individuals* (ETF 1111, TC 115, SDC), or *fringe benefits tax* (ETF 1111, TC 116, SDC).

Company income tax (ETF 1111, TC 121, SDC)

6.35 *Company income tax* (ETF 1111, TC 121, SDC) is a type of taxation revenue which consists of taxes levied on the net income or profits of trading and financial enterprises. This classification category includes the Mineral Resource Rent Tax, and Petroleum Resource Rent Tax, and covers income from all sources and not simply profits generated by production. Also included are income taxes on trusts where the beneficiaries are corporations.

Income tax paid by superannuation funds (ETF 1111, TC 122, SDC)

6.36 *Income tax paid by superannuation funds* (TC 122) is a type of taxation revenue which consists of taxes levied on the profits made by superannuation funds. The tax will vary according to the portfolio mix chosen by the fund. Superannuation funds investing in government securities are subject to lower tax assessments and may be exempt from tax under certain circumstances.

Capital gains taxes on enterprises (ETF 1111, TC 123, SDC)

6.37 *Capital gains taxes on enterprises* (ETF 1111, TC 123, SDC) are a type of taxation revenue which consist of taxes levied on capital gains which form part of the taxable income of trading and financial enterprises. The taxes are usually payable on nominal rather than real capital gains, and on realised rather than unrealised capital gains.

Prescribed payments by enterprises (ETF 1111, TC 124, SDC)

6.38 *Prescribed payments by enterprises* (ETF 1111, TC 124, SDC) are a type of taxation revenue which consist of taxes collected from enterprises by the Commonwealth under the Prescribed Payments System.

Income and capital gains taxes levied on enterprises not elsewhere classified (ETF 1111, TC 129, SDC)

6.39 *Income and capital gains taxes levied on enterprises not elsewhere classified* (ETF 1111, TC 129, SDC) records income and capital gains taxes levied on enterprises not elsewhere classified as *company income tax* (ETF 1111, TC 121, SDC), *income tax paid by superannuation funds* (ETF 1111, TC 122, SDC), *capital gains taxes on enterprises* (ETF 1111, TC 123, SDC), or *prescribed payments by enterprises* (ETF 1111, TC 124, SDC).

Dividend withholding tax (ETF 1111, TC 131, SDC)

6.40 *Dividend withholding tax* (ETF 1111, TC 131, SDC) is a type of taxation revenue which consists of taxation payments by companies that are levied on dividends accruing to non-residents of Australia.

Interest withholding tax (ETF 1111, TC 132, SDC)

6.41 *Interest withholding tax* (ETF 1111, TC 132) is a type of taxation revenue which consists of taxation payments by companies that are levied on interest accruing to non-residents of Australia.

Income tax levied on non-residents not elsewhere classified (ETF 1111, TC 139, SDC)

6.42 *Income tax levied on non-residents not elsewhere classified* (ETF 1111, TC 139, SDC) is a type of taxation revenue which consists of income taxes levied on non-residents other than *dividend withholding tax* (ETF 1111, TC 131, SDC) or *interest withholding tax* (ETF 1111, TC 132, SDC). This classification category excludes withholding tax on royalties which are classified as *taxes on the use of goods and performance of activities levied on non-residents* (ETF 1111, TC 535, SDC).

Other current taxes (ETF 1112, TC, SDC)

6.43 *Other current taxes* (ETF 1112, TC, SDC) consist mainly of payments by households to obtain licences to own or use vehicles, boats or aircraft, and for licences to hunt, shoot or fish. Apart from the inclusion of *fringe benefits tax (FBT)* (ETF 1112, TC 116, SDC), other current taxes relate only to the household sector, and so will have a SDC code of 913. By incorporating the appropriate tax classifications (TC) (see Appendix 1 Part A of this manual for full TC listing)*, other current taxes* (ETF 1112, TC, SDC) are further classified as:

- *Fringe benefits tax* (FBT) (ETF 1112, TC 116, SDC);
- *Stamp duty on vehicle registration* (ETF 1112, TC 511, SDC 913);
- *Road transport and maintenance taxes* (ETF 1112, TC 512, SDC 913);
- *Heavy vehicle registration fees and taxes* (ETF 1112, TC 513, SDC 913);
- *Other vehicle registration fees and taxes* (ETF 1112, TC 514, SDC 913)
- *Motor vehicle taxes not elsewhere classified* (ETF 1112, TC 519, SDC 913); and
- *Departure tax* (ETF 1112, TC 533, SDC 913).

Fringe benefits tax (FBT) (ETF 1112, TC 116, SDC)

6.44 *Fringe benefits tax* (FBT) (ETF 1112, TC 116, SDC) are other current taxes which consist of taxes collected from employers in relation to fringe benefits accruing to employees.

Stamp duty on vehicle registration (ETF 1112, TC 511, SDC 913)

6.45 *Stamp duty on vehicle registration* (ETF 1112, TC 511, SDC 913) are other current taxes payable by households, consisting of stamp duties imposed on motor vehicle registration and transfer. Stamp duty on vehicle registration payable by units other than households are recorded as *other taxes on production - stamp duty on vehicle registration* (ETF 1114, TC 511, SDC (*except for SDC 913*)).

Road transport and maintenance taxes (ETF 1112, TC 512, SDC 913)

6.46 *Road transport and maintenance taxes* (ETF 1112, TC 512, SDC 913) are other current taxes payable by households, consisting of taxes levied on the carriage of goods and passengers by road, including taxes collected specifically for road maintenance. Road transport and maintenance taxes payable by units other than households are recorded as *other taxes on production - road transport and maintenance taxes* (ETF 1114, TC 512, SDC (*except for SDC 913*))

Heavy vehicle registration fees and taxes (ETF 1112, TC 513, SDC 913)

6.47 *Heavy vehicle registration fees and taxes* (ETF 1112, TC 513, SDC 913) are a type of taxation revenue payable by households, consisting of motor vehicle registration, transfer, or number plate fees for vehicles with a gross vehicle mass greater than 4.5 tonnes. Heavy vehicle registration fees and taxes payable by units other than households are recorded as *other taxes on production - heavy vehicle registration fees and taxes* (ETF 1114, TC 513, SDC (*except for SDC 913*)).

Other vehicle registration fees and taxes (ETF 1112, TC 514, SDC 913)

6.48 *Other vehicle registration fees and taxes* (ETF 1112, TC 514, SDC 913) are a type of taxation revenue payable by households, consisting of motor vehicle registration, transfer, or number plate fees for vehicles (other than those with a gross vehicle mass greater than 4.5 tonnes which are classified as *heavy vehicle registration fees and taxes* (ETF 1112, TC 513, SDC 913)). Other vehicle registration fees and taxes payable by units other than households are recorded as *other taxes on production - other vehicle registration fees and taxes* (ETF 1114, TC 514, SDC (*except for SDC 913*)).

Motor vehicle taxes not elsewhere classified (ETF 1112, TC 519, SDC 913)

6.49 *Motor vehicle taxes not elsewhere classified* (ETF 1112, TC 519, SDC 913) records motor vehicle taxes not elsewhere classified as *stamp duty on vehicle registration* (ETF 1112, TC 511, SDC 913), *road transport and maintenance taxes* (ETF 1112, TC 512, SDC 913), *heavy vehicle registration fees and taxes* (ETF 1112, TC 513, SDC 913), or *other vehicle registration fees and taxes* (ETF 1112, TC 514, SDC 913).

Departure tax (ETF 1112, TC 533, SDC 913)

6.50 *Departure tax* (ETF 1112, TC 533, SDC 913) is a type of taxation revenue payable by households, consisting of the levy imposed on all individuals leaving Australia. The fifty per cent indirect component of this tax consists of the estimated tax collected from Australian residents going abroad for business purposes. Departure tax payable by units other than households are recorded as *other taxes on production - departure tax* (ETF 1114, TC 533, SDC (*except for SDC 913*)).

Taxes on products (ETF 1113, TC, SDC)

6.51 *Taxes on products* (ETF 1113, TC, SDC) are taxes that are payable on goods and services when they are produced, delivered, sold, transferred or otherwise disposed of by their producers, e.g. GST, sales tax and excise tax. Taxes on products are payable per unit of the product (i.e. a flat amount dependent on the physical quantity of the product or a percentage of the value at which the product is sold). By incorporating the appropriate tax classifications (TC) (see Appendix 1 Part A of this manual for full TC listing), *taxes on products* (ETF 1113, TC, SDC) are further classified as:

- *Sales tax* (ETF 1113, TC 411, SDC); and
- *Goods and services tax (GST)* (ETF 1113, TC 412, SDC).
- *Excises on crude oil, LPG and petroleum products* (ETF 1113, TC 421, SDC);
- *Excises on beer and potable spirits* (ETF 1113, TC 422, SDC);
- *Excises on tobacco products* (ETF 1113, TC 423, SDC);
- *Excise Act duties not elsewhere classified and refunds of Excise Act duties* (ETF 1113, TC 424, SDC);
- *Agricultural production taxes* (ETF 1113, TC 425, SDC);
- *Levies on statutory corporations* (ETF 1113, TC 426, SDC);
- *Excises not elsewhere classified* (ETF 1113, TC 429, SDC);
- *Customs duties on imports* (ETF 1113, TC 431, SDC);
- *Customs duties on exports* (ETF 1113, TC 432, SDC);

- *Agricultural produce export taxes* (ETF 1113, TC 433, SDC);
- *Taxes on international trade not elsewhere* classified (ETF 1113, TC 439, SDC);
- *Taxes on government lotteries* (ETF 1113, TC 441, SDC);
- *Taxes on private lotteries* (ETF 1113, TC 442, SDC);
- *Taxes on gambling devices* (ETF 1113, TC 443, SDC);
- *Casino taxes* (ETF 1113, TC 444, SDC);
- *Race and other sports betting taxes* (ETF 1113, TC 445, SDC);
- *Taxes on gambling not elsewhere classified* (ETF 1113, TC 449, SDC);
- *Insurance companies' contribution to fire brigades* (ETF 1113, TC 451, SDC);
- *Third party insurance taxes* (ETF 1113, TC 452, SDC);
- *Taxes on insurance not elsewhere classified* (ETF 1113, TC 459, SDC);
- *Financial institutions transactions taxes* (ETF 1113, TC 461, SDC);
- *Government borrowing guarantee levies* (ETF 1113, TC 462, SDC);
- *Stamp duties on conveyances* (ETF 1113, TC 463, SDC);
- *Stamp duty on shares and marketable securities* (ETF 1113, TC 464, SDC);
- *Other stamp duties on financial and capital transactions* (ETF 1113, TC 465, SDC); and
- *Taxes on financial and capital transactions not elsewhere classified* (ETF 1113, TC 469, SDC).

General taxes on the provision of goods and services (ETF 1113, TC 41)

6.52 General taxes on the provision of goods and services are taxes on products consisting of *sales tax* (ETF 1113, TC 411, SDC) and *goods and services tax (GST)* (ETF 1113, TC 412, SDC). Paragraph 5.57 of the IMF GFSM 2014 states that general taxes on goods and services may be levied regardless of whether the goods or services are produced domestically or imported, and they may be imposed at any stage of production or distribution.

Sales tax (ETF 1113, TC 411, SDC)

6.53 *Sales tax* (ETF 1113, TC 411, SDC) are taxes on products consisting of all general taxes levied on sales at one stage only, whether at manufacturing or production stages or on wholesale or retail trade. *Please note that this classification item has been superseded by goods and services tax (GST) (ETF 1113, TC 412, SDC) but remains part of the GFS classifications in order to maintain the time series.* In Australia, sales tax was a single stage tax designed substantially to fall on sales by manufacturers and wholesalers to retailers. The sales tax applied to goods only and not to services. Second hand goods that were used in Australia were not ordinarily taxed, but imported goods that had been used overseas were normally taxable in a similar fashion to new goods. Although termed a sales tax, the levy was not limited to sales only. Where goods had not already borne tax, it would (for example) fall on the leases of those goods or on the application of those goods to a taxpayer’s own use. It may have also been levied on importation of goods where they were not imported for sale by wholesalers, e.g. where they were imported by retailers or consumers. The tax was payable on what was termed a ‘sale value’ which was equivalent to a fair wholesale price.

Goods and services tax (GST) (ETF 1113, TC 412, SDC)

6.54 *Goods and services tax (GST)* (ETF 1113, TC 412, SDC) are taxes on products consisting of taxes on goods or services collected in stages by enterprises but which are ultimately charged in full to the final purchasers. Paragraph 5.58 of the IMF GFSM 2014 describes this as a deductible tax because producers are not usually required to pay the government the full amount of the tax they invoice to their customers, as they are permitted to deduct the amount of tax they have been invoiced on their own purchases of goods or services intended for intermediate consumption or fixed capital formation. GST is usually calculated on the price of the good or service, including any other tax on the product. GST may also be payable on imports of goods or services in addition to any import duties or other taxes on the imports. This classification category includes GST revenue receivable by the Commonwealth Government, gross of the cost of collection but net of input tax credits payable.

Excises (ETF 1113, TC 42)

6.55 *Excises* (ETF 1113, TC 42) are taxes on products consisting of taxes levied on specified goods (or ranges of goods) intended for domestic consumption other than taxes levied exclusively on the importation of goods (in which case they are treated as *customs duties on imports* (ETF 1113, TC 431, SDC)). However, paragraph 5.62 of the IMF GFSM 2014 specifies that if a tax collected principally on imported goods also applies (or would apply) under the same law to comparable domestically produced goods, then the revenue from this tax is classified as arising from excises rather than from import duties. This principle applies even if there is no comparable domestic production or no possibility of such production.

6.56 Paragraph 5.62 of the IMF GFSM 2014 further notes that excises may be imposed at any stage of production or distribution and are usually levied at differentiated rates on non-essential or luxury goods, alcoholic beverages, tobacco, energy, and gambling. Excises are usually assessed as a specific charge per unit based on characteristics by reference to the value, weight, strength, or quantity of the product. Excluded from this category are customs duties on imports which are classified as *customs duties on imports* (ETF 1113, TC 431, SDC), and customs duties on exports which are classified as *customs duties on exports* (ETF 1113, TC 432, SDC).

Excises on crude oil, LPG and petroleum products (ETF 1113, TC 421, SDC)

6.57 *Excises on crude oil, LPG and petroleum products* (ETF 1113, TC 421, SDC) are taxes on products consisting of excises levied on the production of crude oil and naturally occurring LPG from Australian fields, and on petroleum products (including 'fuel tax'). The levy on crude oil can vary depending on the volume and quality of the crude oil and the date the field came into production.

Excises on beer and potable spirits (ETF 1113, TC 422, SDC)

6.58 *Excises on beer and potable spirits* (ETF 1113, TC 422, SDC) are taxes on products consisting of duties levied on beer and potable spirits under the Excise Act.

Excises on tobacco products (ETF 1113, TC 423, SDC)

6.59 *Excises on tobacco products* (ETF 1111, TC 423, SDC) are taxes on products consisting of duties levied on tobacco products under the Excise Act.

Excise Act duties not elsewhere classified and refunds of Excise Act duties (ETF 1113, TC 424, SDC)

6.60 *Excise Act duties not elsewhere classified and refunds of Excise Act duties* (ETF 1113, TC 424, SDC) are taxes on products consisting of duties levied under the Excise Act that cannot be classified to *excises on crude oil, LPG and petroleum products* (ETF 1113, TC 421, SDC), *excises on beer and potable spirits* (ETF 1111, TC 422, SDC), or *excises on tobacco products* (ETF 1113, TC 423, SDC).

Agricultural production taxes (ETF 1113, TC 425, SDC)

6.61 *Agricultural production taxes* (ETF 1113, TC 425, SDC) are taxes on products consisting of levies raised on specified agricultural products that are usually assessed by reference to weight or quality. Included are taxes levied on wool, dairy products, poultry, cattle, sheep, wheat, and wine grapes.

Levies on statutory corporations (ETF 1113, TC 426, SDC)

6.62 *Levies on statutory corporations* (ETF 1113, TC 426, SDC) are taxes on products consisting of contributions which are required under legislation to be paid by specified statutory corporations to state and territory governments. The taxes are calculated as a fixed proportion of the revenue earned by statutory corporations. Excluded are taxes assessed on amounts equivalent to net profits and capital gains by state and territory governments which are classified to *dividend income* (ETF 1132, SDC).

Excises not elsewhere classified (ETF 1113, TC 429, SDC)

6.63 *Excises not elsewhere classified* (ETF 1113, TC 429, SDC) records the value of excises not elsewhere classified as *excises on crude oil, LPG and petroleum products* (ETF 1113, TC 421, SDC), *excises on beer* *and potable spirits* (ETF 1113, TC 422, SDC), *excises on tobacco products* (ETF 1111, TC 423, SDC), *excise Act duties not elsewhere classified and refunds of Excise Act duties* (ETF 1113, TC 424, SDC), *egricultural production taxes* (ETF 1113, TC 425, SDC), or *levies on statutory corporations* (ETF 1113, TC 426, SDC).

Taxes on international trade and transactions (ETF 1113, TC 43, SDC)

6.64 *Taxes on international trade and transactions* (ETF 113, SDC) are taxes on products consisting of taxes that become payable when goods cross the national or customs frontiers of the economic territory, or when transactions in services exchange between residents and non-residents. Excluded from this classification category are taxes collected on imports as part of a general tax on goods which should be classified as *goods and services tax (GST)* (ETF 1113, TC 412, SDC).

Customs duties on imports (ETF 1113, TC 431, SDC)

6.65 *Customs duties on imports* (ETF 1113, TC 431, SDC) are taxes on products consisting of revenue from all levies and duties payable on goods of a particular kind because they are entering the country or services because they are delivered by non-residents to residents. Paragraph 5.84 of the IMF GFSM 2014 states that these levies may be imposed with the intention to raise revenue or discourage imports in order to protect resident producers of the same goods or services. The duties may be determined on a specific or *ad valorem* basis, but they must be restricted by law to imported products. Included are duties levied under the customs tariff schedule and its annexes, including surtaxes that are based on the tariff schedule, consular fees, tonnage charges, statistical taxes, fiscal duties, and surtaxes not based on the customs tariff schedule. This category covers taxes that fall on imports only. Imports that fall into a wider category of goods that are subject to the tax should be recorded as excises. If excises are levied on imported goods under the same law to comparable domestically produced goods, then the revenue from the tax should be classified as arising from excises rather than from import duties.

Customs duties on exports (ETF 1113, TC 432, SDC)

6.66 *Customs duties on exports* (ETF 1113, TC 432, SDC) are taxes on products consisting of all levies that become payable on goods that are transported out of the country, or services that are provided to non-residents by residents. Paragraph 5.85 of the IMF GFSM 2014 indicates that rebates on exported goods that are repayments of previously paid general consumption taxes, excises, or import duties are deducted from the gross amounts receivable from the respective taxes, and not from amounts receivable in this category.

Agricultural produce export taxes (ETF 1113, TC 433, SDC)

6.67 *Agricultural produce export taxes* (ETF 1113, TC 433, SDC) are taxes on products consisting of taxes payable on specific agricultural produce exported from Australia. The rate is usually based on the quantity of products exported.

Taxes on international trade not elsewhere classified (ETF 1113, TC 439, SDC)

6.68 *Taxes on international trade not elsewhere classified* (ETF 1113, TC 439, SDC) records the value of taxes on international trade not elsewhere classified as *customs duties on imports* (ETF 1113, TC 431, SDC), *customs duties on exports* (ETF 1113, TC 432, SDC), or *agricultural produce export taxes* (ETF 1113, TC 433, SDC).

Taxes on gambling (ETF 1113, TC 44)

6.69 *Taxes on gambling* (ETF 1113, TC 44) are taxes on products consisting of taxes levied on gambling and betting stakes. These taxes may be collected either from the gamblers as a percentage of their stake of the winnings, or from entities providing the gambling service either as a licence fee or percentage of their gross income from gambling. Excluded are taxes on individual gains from gamblers.

Taxes on government lotteries (ETF 1113, TC 441, SDC)

6.70 *Taxes on government lotteries* (ETF 1113, TC 441, SDC) are taxes on products consisting of taxes on the profits of lotteries, 'lotto' games, etc. organised by the government.

Taxes on private lotteries (ETF 1113, TC 442, SDC)

6.71 *Taxes on private lotteries* (ETF 1113, TC 442, SDC) are taxes on products consisting of stamp duties levied on the share of gross revenue from privately organised lotteries, 'lotto' games, football pools etc.

Taxes on gambling devices (ETF 1113, TC 443, SDC)

6.72 *Taxes on gambling devices* (ETF 1113, TC 443, SDC) are taxes on products consisting of taxes and licences imposed on clubs for the operation of poker machines and other gambling devices.

Casino taxes (ETF 1113, TC 444, SDC)

6.73 *Casino taxes* (ETF 1113, TC 444, SDC) are taxes on products consisting of licence fees and taxes levied on the holders of casino licences.

Race and other sports betting taxes (ETF 1113, TC 445, SDC)

6.74 *Race and other sports betting taxes* (ETF 1113, TC 445, SDC) are taxes on products consisting of taxes levied on all forms of racing and both on-course and off-course betting.

Taxes on gambling not elsewhere classified (ETF 1113, TC 449, SDC)

6.75 *Taxes on gambling not elsewhere classified* (ETF 1113, TC 449, SDC)are taxes on products consisting of taxes levied on gambling that cannot be classified as part of *taxes on government lotteries* (ETF 1113, TC 441, SDC), *taxes on private lotteries* (ETF 1113, TC 442, SDC), *taxes on gambling devices* (ETF 1113, TC 443, SDC), *casino taxes* (ETF 1113, TC 444, SDC) or *race betting taxes* (ETF 1113, TC 445, SDC).

Taxes on insurance (ETF 1113, TC 45)

6.76 *Taxes on insurance* (ETF 1113, TC 45) are taxes on products consisting of taxes levied specifically on insurance companies. This classification category includes taxes levied on insurance premiums, and contributions collected to finance services which reduce risk.

Insurance companies' contribution to fire brigades (ETF 1113, TC 451, SDC)

6.77 *Insurance companies' contribution to fire brigades* (ETF 1113, TC 451, SDC) are taxes on products consisting of levies imposed on insurance companies to contribute to financing fire-fighting protection services.

Third party insurance taxes (ETF 1113, TC 452, SDC)

6.78 *Third party insurance taxes* (ETF 1113, TC 452, SDC) are taxes on products consisting of surcharges and stamp duties on third party insurance premiums.

Taxes on insurance not elsewhere classified (ETF 1113, TC 459, SDC)

6.79 *Taxes on insurance not elsewhere classified* (ETF 1113, TC 459, SDC) are taxes on products consisting of taxes on insurance that do not fall within the categories of *insurance companies' contribution to fire brigades* (ETF 1113, TC 451, SDC) or *third party insurance taxes* (ETF 1113, TC 452, SDC).

Taxes on financial and capital transactions (ETF 1113, TC 46)

6.80 *Taxes on financial and capital transactions* (ETF 1113, TC 46) are taxes on products consisting of taxes levied on the change in ownership of property, except those classified as *estate, inheritance, and gift taxes* (ETF 1115, TC 32, SDC). Paragraph 5.61 of the IMF GFSM 2014 indicates that these are taxes on the services of the unit selling the asset. Included in this concept are taxes on the purchase and sale of non-financial or financial assets (including foreign exchange or securities), taxes on cheques and other forms of payment, and taxes levied on specific legal transactions, such as the validation of contracts on the sale of immovable property.).

Financial institutions transaction taxes (ETF 1113, TC 461, SDC)

6.81 *Financial institutions transaction taxes* (ETF 1113, TC 461, SDC) are taxes on products consisting of taxes on debits or credits to accounts with financial institutions, including state / territory government duties on credits to accounts held with financial institutions. Excluded from this classification category are stamp duties on cheques which are classified to *other stamp duties on financial and capital transactions* (ETF 1111, TC 465, SDC).

Government borrowing guarantee levies (ETF 1113, TC 462, SDC)

6.82 *Government borrowing guarantee levies* (ETF 1113, TC 462, SDC) are taxes on products consisting of guarantee fees / charges levied on the borrowings of public authorities by government.

Stamp duties on conveyances (ETF 1113, TC 463, SDC)

6.83 *Stamp duties on conveyances* (ETF 1113, TC 463, SDC) are taxes on products consisting of the revenue earned from stamp duties on conveyances and transfer of real estate, business and other property. This item excludes stamp duties on motor vehicle registration which are classified to *stamp duty on vehicle registrations* (ETF 1113, TC 511, SDC). Also excluded are taxes on insurance which are classified to an appropriate category in *taxes on insurance* (ETF 1113, TC 45, SDC), and taxes on gambling which are classified to an appropriate category in *taxes on gambling* (ETF 1113, TC 44, SDC).

Stamp duty on shares and marketable securities (ETF 1113, TC 464, SDC)

6.84 *Stamp duty on shares and marketable securities* (ETF 1113, TC 464, SDC) are taxes on products consisting of revenue earned from stamp duty on transfers of shares and marketable securities. This item excludes stamp duties on motor vehicle registration which are classified to *stamp duty on vehicle registrations* (ETF 1113, TC 511, SDC). Also excluded are taxes on insurance which are classified to an appropriate category in *taxes on insurance* (ETF 1113, TC 45, SDC), and taxes on gambling which are classified to an appropriate category in *taxes on gambling* (ETF 1113, TC 44, SDC).

Other stamp duties on financial and capital transactions (ETF 1113, TC 465, SDC)

6.85 *Other stamp duties on financial and capital transactions* (ETF 1113, TC 465, SDC) are taxes on products consisting of revenue earned from stamps affixed to (or franked on) documents which evidence financial and capital transactions. This item excludes stamp duties on motor vehicle registration which are classified to *stamp duty on vehicle registrations* (ETF 1113, TC 511, SDC), and on shares and marketable securities which are classified to *stamp duty on shares and marketable securities* (ETF 1113, TC 464, SDC). Also excluded are taxes on insurance which are classified to an appropriate category in *taxes on insurance* (ETF 1113, TC 45, SDC) and taxes on gambling which are classified to an appropriate category in *taxes on gambling* (ETF 1113, TC 44, SDC).

Taxes on financial and capital transactions not elsewhere classified (ETF 1113, TC 469, SDC)

6.86 *Taxes on financial and capital transactions not elsewhere classified* (ETF 1113, TC 469, SDC) record the value of taxes on financial and capital transactions not elsewhere classified as *financial institutions transaction taxes* (ETF 1113, TC 461, SDC), *government borrowing guarantee levies* (ETF 1113, TC 462, SDC), *stamp duties on conveyances* (ETF 1113, TC 463, SDC), or *other stamp duties on financial and capital transactions* (ETF 1113, TC 465, SDC).

Other taxes on production (ETF 1114, TC)

6.87 Paragraph A7.33 of the IMF GFSM 2014 describes other taxes on production as consisting of all taxes except taxes on products that enterprises incur as a result of engaging in production. While taxes on products are taxes payable per unit of some type of good or service, other taxes on production are imposed on the producer regardless of the production of any product (e.g. land taxes). By incorporating the appropriate tax classifications (TC) (see Appendix 1 Part A of this manual for full TC listing), *other taxes on production* (ETF 1114, TC, SDC) are further classified as:

- *Payroll taxes* (ETF 1114, TC 221, SDC);
- *Superannuation guarantee charge* (ETF 1114, TC 212, SDC);
- *Taxes on employers' payroll and labour force not elsewhere classified* (ETF 1114, TC 299, SDC);
- *Land taxes* (ETF 1114, TC 311, SDC);
- *Municipal rates* (ETF 1114, TC 312, SDC);
- *Metropolitan movement rates* (ETF 1114, TC 313, SDC);
- *Property owners' contribution to fire brigades* (ETF 1114, TC 314, SDC);
- *Taxes on immovable property not elsewhere classified* (ETF 1114, TC 319, SDC);
- *Stamp duty on vehicle registration* (ETF 1114, TC 511, SDC (*except for SDC 913*));
- *Road transport and maintenance taxes* (ETF 1114, TC 512, SDC (*except for SDC 913*));
- *Heavy vehicle registration fees and taxes* (ETF 1114, TC 513, SDC (*except for SDC 913*));
- *Other vehicle registration fees and taxes* (ETF 1114, TC 514, SDC (*except for SDC 913*));
- *Motor vehicle taxes not elsewhere classified* (ETF 1114, TC 519, SDC (*except for SDC 913*));
- *Gas franchise taxes* (ETF 1114, TC 521, SDC);
- *Petroleum products franchise taxes* (ETF 1114, TC 522, SDC);
- *Tobacco franchise taxes* (ETF 1114, TC 523, SDC);
- *Liquor franchise taxes* (ETF 1114, TC 524, SDC);
- *Franchise taxes not elsewhere classified* (ETF 1114, TC 529, SDC);
- *Broadcasting station licences* (ETF 1114, TC 531, SDC);
- *Television station licences* (ETF 1114, TC 532, SDC);
- *Departure tax* (ETF 1114, TC 533, SDC (*except for SDC 913*));
- *Clean energy and related taxes* (ETF 1114, TC 534, SDC);
- *Taxes on the use of goods and performance of activities levied on non-residents* (ETF 1114, TC 535, SDC); and
- *Other taxes on the use of goods and performance of activities not elsewhere classified* (ETF 1114, TC 539, SDC).

Payroll taxes (ETF 1114, TC 211, SDC)

6.88 *Payroll taxes* (ETF 1114, TC 211, SDC) are types of other taxes on production consisting primarily of taxes payable by enterprises assessed either as a proportion of the wages and salaries paid, or as a fixed amount per person employed. Taxes paid by the employees themselves out of their wages or salaries are excluded, and are instead classified as taxes on income as *personal income tax* (ETF 1111, TC 111, SDC).

Superannuation guarantee charge (ETF 1114, TC 221, SDC)

6.89 *Superannuation guarantee charge* (ETF 1114, TC 212, SDC) are types of other taxes on production consisting of charges paid by employers under the superannuation guarantee charge.

Taxes on employers' payroll and labour force not elsewhere classified (ETF 1114, TC 299, SDC)

6.90 *Taxes on employers' payroll and labour force not elsewhere classified* (ETF 1114, TC 299, SDC) records the value of taxes on employers' payroll and labour force not elsewhere classified as *payroll taxes* (ETF 1114, TC 211, SDC), or *superannuation guarantee charge* (ETF 1114, TC 212, SDC).

Taxes on immovable property (ETF 1114, TC 31)

6.91 Taxes on immovable property are other taxes on production consisting of taxes that are levied for the ownership or use of immovable property such as *land taxes* (ETF 1114, TC 311, SDC), *municipal rates* (ETF 1114, TC 312, SDC), *metropolitan improvement rate*s (ETF 1114, TC 313, SDC), *property owners' contributions to fire brigades* (ETF 1114, TC 314, SDC), and *taxes on immovable property not elsewhere classified* (ETF 1114, TC 319, SDC). Paragraph 5.49 of the IMF GFSM 2014 indicates that taxes on immovable property can be levied on proprietors, tenants, or both. The value of the taxes is usually based on a percentage of an assessed property value that is based on a notional rental income, sales price, capitalised yield, or other characteristics such as size or location. Unlike recurrent taxes on net wealth, liabilities incurred on the property are usually not taken into account in assessment of these taxes.

Land taxes (ETF 1114, TC 311, SDC)

6.92 *Land taxes* (ETF 1114, TC 311, SDC) are other taxes on production consisting of taxes on the ownership of land, based on the assessed value of the land.

Municipal rates (ETF 1114, TC 312, SDC)

6.93 *Municipal rates* (ETF 1114, TC 312, SDC) are other taxes on production consisting of levies imposed by local government authorities on the assessed value of property for the purpose of financing the provision of ordinary local services. Excluded from this classification category are amounts collected with municipal rates but identified as charges for the direct supply of goods and services such as water and sewerage rates, and garbage charges.

Metropolitan improvement rates (ETF 1114, TC 313, SDC)

6.94 *Metropolitan improvement rates* (ETF 1114, TC 313, SDC) are other taxes on production consisting of levies on property owners intended specifically for financing the planning and development of land within the metropolitan region. The financing purposes covered within this classification category include acquisition of land for the development of metropolitan parks, the support of regional studies, and financing for open space improvements.

Property owners' contribution to fire brigades (ETF 1114, TC 314, SDC)

6.95 *Property owners' contribution to fire brigades* (ETF 1114, TC 314, SDC) are other taxes on production consisting of levies imposed on property owners for contribution toward the financing of fire protection services.

Taxes on immovable property not elsewhere classified (ETF 1114, TC 319, SDC)

6.96 *Taxes on immovable property not elsewhere classified* (ETF 1114, TC 319, SDC) are other taxes on production consisting of other taxes on the owners or users of immovable property that cannot be classified to *land taxes* (ETF 1114, TC 311, SDC), *municipal rates* (ETF 1114, TC 312, SDC), *metropolitan improvement rates* (ETF 1114, TC 313, SDC), or *property owners' contribution to fire brigades* (ETF 1114, TC 314, SDC).

Taxes on the use of goods and performance of activities (ETF 1114, TC 5)

6.97 *Taxes on the use of goods and performance of activities* (ETF 1114, TC 5) are other taxes on production consisting of fees levied for the issuance of a licence or permit that are not commensurate with the cost of the control function of government. Paragraph 5.72 of the IMF GFSM 2014 notes that governments provide permission to use certain goods or perform certain activities to individual units directly in the form of a licence, permit, certificate of registration or other authorisation in return for payment. This payment forms part of a mandatory process that ensures proper recognition of ownership, or ensures that activities are performed under the correct authorisation of the law.

6.98 This classification category includes taxes paid by enterprises in order to obtain a licence to carry on a particular kind of business or profession, and taxes payable by individuals to perform certain activities. The distinction between payments that are classified as government taxes or as government fees for services is not always clear and requires additional guidance (see Chapter 13 Part J of this manual). In principle, if a licence to carry on a particular kind of business or profession is valid for several years, the payment for the current period is classified as other taxes on production as part of *taxes on the use of goods and performance of activities* (ETF 1114, TC 5, SDC), and the prepayment covering future years is classified as *transactions in liabilities (net) - accounts payable* (ETF 3211, FALC 252, SDC). However, if the government unit does not recognise a liability to repay the licensee in the case of a cancellation, the whole of the fee payable is recorded as a single tax payment as other taxes on production as part of *taxes on the use of goods and performance of activities* (ETF 1114, TC 5, SDC) at the time it is paid.

Motor vehicle taxes (ETF 1114, TC 51)

6.99 *Motor vehicle taxes* (ETF 1114, TC 51) are other taxes on production consisting of taxes levied on the use of motor vehicles or permission to use motor vehicles, whether paid by households or enterprises. Paragraph 5.80 of the IMF GFSM 2014 indicates that this classification category does not include taxes on tolls for use of roads, bridges, and tunnels (classified as *other taxes on the use of goods and performance of activities not elsewhere classified* (ETF 1114, TC 539, SDC)). Also excluded are taxes on third party insurance which are classified as *third party insurance taxes* (ETF 1113, TC 452, SDC).

Stamp duty on vehicle registration (ETF 1114, TC 511, SDC (except for SDC 913))

6.100 *Stamp duty on vehicle registration* (ETF 1114, TC 511, SDC (*except for SDC 913*)) are other taxes on production payable by units other than households, consisting of stamp duties imposed on motor vehicle registration and transfer. Stamp duty on vehicle registration payable by households are recorded as *other taxes on production - stamp duty on vehicle registration* (ETF 1112, TC 511, SDC 913).

Road transport and maintenance taxes (ETF 1114, TC 512, SDC (except for SDC 913))

6.101 *Road transport and maintenance taxes* (ETF 1114, TC 512, SDC (*except for SDC 913*)) are other taxes on production payable by units other than households, consisting of taxes levied on the carriage of goods and passengers by road, including taxes collected specifically for road maintenance. Road transport and maintenance taxes payable by households are recorded as *other taxes on production - road transport and maintenance taxes* (ETF 1112, TC 512, SDC 913).

Heavy vehicle registration fees and taxes (ETF 1114, TC 513, SDC (except for SDC 913))

6.102 *Heavy vehicle registration fees and taxes* (ETF 1114, TC 513, SDC (*except for SDC 913*)) are other taxes on production payable by units other than households, consisting of motor vehicle registration, transfer, or number plate fees for vehicles with a gross vehicle mass greater than 4.5 tonnes. Heavy vehicle registration fees and taxes payable by households are recorded as *other taxes on production - heavy vehicle registration fees and taxes* (ETF 1112, TC 513, SDC 913).

Other vehicle registration fees and taxes (ETF 1114, TC 514, SDC (except for SDC 913))

6.103 *Other vehicle registration fees and taxes* (ETF 1114, TC 514, SDC (*except for SDC 913*)) are other taxes on production payable by units other than households, consisting of motor vehicle registration, transfer, or number plate fees for vehicles (other than those with a gross vehicle mass greater than 4.5 tonnes which are classified as *heavy vehicle registration fees and taxes* (ETF 1114, TC 513, SDC (*except for SDC 913*)). Other vehicle registration fees and taxes payable by households are recorded as *other taxes on production - other vehicle registration fees and taxes* (ETF 1112, TC 514, SDC 913).

Motor vehicle taxes not elsewhere classified (ETF 1114, TC 519, SDC (except for SDC 913))

6.104 *Motor vehicle taxes not elsewhere classified* (ETF 1114, TC 519, SDC (*except for SDC 913*)) records the value of motor vehicle taxes not elsewhere classified as *stamp duty on vehicle registration* (ETF 1114, TC 511, SDC (*except for SDC 913*)), *road transport and maintenance taxes* (ETF 1114, TC 512, SDC (*except for SDC 913*)), *heavy vehicle registration fees and taxes* (ETF 1114, TC 513, SDC (*except for SDC 913*)), or *other vehicle registration fees and taxes* (ETF 1114, TC 514, SDC (*except for SDC 913*)).

Franchise taxes (ETF 1114, TC 52, SDC)

6.105 *Franchise taxes* (ETF 1114, TC 52, SDC) are other taxes on production consisting of taxes levied in respect of the permission to sell certain goods.

Gas franchise taxes (ETF 1114, TC 521, SDC)

6.106 *Gas franchise taxes* (ETF 1114, TC 521, SDC) are other taxes on production consisting of licence fees levied on gas suppliers. The fee is assessed by reference to the supplier's previous gross receipts of gas retailed to the public.

Petroleum products franchise taxes (ETF 1114, TC 522, SDC)

6.107 *Petroleum products franchise taxes* (ETF 1114, TC 522, SDC) are other taxes on production consisting of licence fees paid by petroleum wholesalers and petroleum retailers to conduct their business. The tax may be assessed on the marked or prescribed value, or volume of petroleum products sold.

Tobacco franchise taxes (ETF 1114, TC 523, SDC)

6.108 *Tobacco franchise taxes* (ETF 1114, TC 523, SDC) are other taxes on production consisting of fees collected from wholesale tobacco merchants and retail tobacconists for licences that are required to be held. The taxes are usually assessed on the basis of value sold.

Liquor franchise taxes (ETF 1114, TC 524, SDC)

6.109 *Liquor franchise taxes* (ETF 1114, TC 524, SDC) are other taxes on production consisting of fees collected for licences and permits to supply liquor. These taxes are levied on hotelkeepers, wholesale and retail liquor merchants and licensed clubs. These fees are regarded as taxes because of the substantial revenue they generate. These fees are usually assessed on the basis of volume and alcoholic content of sales. Some state and territory governments offer an exemption or concession to encourage consumption of low alcohol liquor. This classification category also includes permits for the supply of liquor with meals, e.g. licensed restaurants.

Franchise taxes not elsewhere classified (ETF 1114, TC 529, SDC)

6.110 *Franchise taxes not elsewhere classified* (ETF 1114, TC 529, SDC) records the value of franchise taxes not elsewhere classified as *gas franchise taxes* (ETF 1114, TC 521, SDC), *petroleum products franchise taxes* (ETF 1114, TC 522, SDC), *tobacco franchise taxes* (ETF 1114, TC 523, SDC), or *liquor franchise taxes* (ETF 1114, TC 524, SDC).

Other taxes on the use of goods and the performance of activities (ETF 1114, TC 53)

6.111 *Other taxes on the use of goods and the performance of activities* (ETF 1114, TC 53, SDC) are other taxes on production consisting of taxes levied on the use of goods or the permission to use goods or perform activities that cannot be classified to *motor vehicle taxes* (ETF 1114, TC 51, SDC) or *franchise taxes* (ETF 1114, TC 52, SDC). This classification category includes permits to carry on a business which provides a service (such as broadcasting and television services), pollution taxes not based on the value of particular goods, and taxes for the permission to perform an activity such as departure tax.

Broadcasting station licences (ETF 1114, TC 531, SDC)

6.112 *Broadcasting station licences* (ETF 1114, TC 531, SDC) are other taxes on production consisting of fees for licences for commercial radio stations to transmit their service. These licence fees are regarded as taxes because of the substantial revenue they generate. The tax is assessed on gross earnings.

Television station licences (ETF 1114, TC 532, SDC)

6.113 *Television station licences* (ETF 1114, TC 532, SDC) are other taxes on production consisting of fees for licences for commercial television stations to transmit their services. These licence fees are regarded as taxes because of the substantial revenue they generate. The tax is assessed on gross earnings.

Departure tax (ETF 1114, TC 533, SDC (except for SDC 913))

6.114 *Departure tax* (ETF 1114, TC 533, SDC (*except for SDC 913*)) are other taxes on production payable by units other than households, consisting of the levy imposed on all individuals leaving Australia. The fifty per cent indirect component of this tax consists of the estimated tax collected from Australian residents going abroad for business purposes. Departure tax payable by households are recorded as *other taxes on production - departure tax* (ETF 1112, TC 533, SDC 913).

Clean energy and related taxes (ETF 1114, TC 534, SDC)

6.115 *Clean energy and related taxes* (ETF 1114, TC 534, SDC) are other taxes on production consisting of taxes levied on greenhouse gas emissions.

Taxes on the use of goods and performance of activities levied on non-residents (ETF 1114, TC 535, SDC)

6.116 *Taxes on the use of goods and performance of activities levied on non-residents* (ETF 1114, TC 535, SDC) are other taxes on production consisting of taxes levied on the use of goods and permission to perform activities by non-residents. This classification category includes withholding tax on royalties levied on non-residents and payments for a licence or permit to conduct extraction operations on sub-soil assets by non-residents.

Other taxes on the use of goods and performance of activities not elsewhere classified (ETF 1114, TC 539, SDC)

6.117 *Other taxes on the use of goods and performance of activities not elsewhere classified* (ETF 1114, TC 539, SDC) are other taxes on production consisting of taxes on the use of goods or performance of activities that cannot be classified to *broadcasting station licences* (ETF 1111, TC 531, SDC), *television station licences* (ETF 1114, TC 532, SDC), *departure tax* (ETF 1114, TC 533, SDC), *clean energy and related taxes* (ETF 1114, TC 534, SDC) or *taxes on the use of goods and performance of activities levied on non-residents* (ETF 1114, TC 535, SDC). Included in this classification category are other general business taxes or licences set as a fixed amount according to the kind of business, or on the basis of various indicators such as floor space, installed horsepower, capital, or shipping tonnage. Also included in this classification category are taxes payable by persons or households for licences for recreational hunting, shooting, or fishing, and taxes on the ownership of pets when the amount payable is not commensurate with the administrative cost. Excluded from this category are business taxes on gross sales which are classified under *general taxes on provision of goods and services* (ETF 1113, TC 41, SDC).

Capital taxes (ETF 1115, TC)

6.118 *Capital taxes* (ETF 1115, TC) are a type of taxation revenue which consist of capital levies and taxes on capital transfers. Capital levies are imposed at irregular and infrequent intervals on the value of assets or net worth owned by institutional units. Taxes on capital transfers are imposed at irregular and infrequent intervals on the value of assets transferred between institutional units as a result of legacies, gifts or other transfers. Included in this classification category are:

- *Estate, inheritance, and gift taxes* (ETF 1115, TC 321, SDC)

Estate, inheritance, and gift taxes (ETF 1115, TC 321, SDC)

6.119 *Estate, inheritance, and gift taxes* (ETF 1111, TC 321, SDC) are a type of taxation revenue which consist of taxes on transfers of property at death and on gifts, including gifts made between living members of the same family to avoid (or minimise) the payment of inheritance taxes. Paragraph 5.51 of the IMF GFSM 2014 indicates that taxes on the transfer of property at death include estate taxes (which are usually based on the size of the total estate), and inheritance taxes (which may be determined by the amount received by beneficiaries and / or their relationship to the deceased).

Sales of goods and services (ETF 112)

6.120 *Sales of goods and services* (ETF 112) refers to revenues generated from the direct provision of goods and services by general government and public corporations, excluding GST. In GFS, revenue from sales of goods are recorded when legal ownership changes. Paragraph 5.141 of the IMF GFSM 2014 recommends that if this time cannot be determined precisely, recording may take place when there is a change in physical ownership or control. Transactions in services are normally recorded when the services are provided, however some services are supplied or take place on a continuous basis, e.g. rentals are continuous flows and are recorded continuously as long as they are being provided. In the GFS system, *sales of goods and services* (ETF 112) are further classified as:

- Sales by market establishments (ETF 1121, COFOG-A, SDC);
- Administrative fees (ETF 1122, COFOG-A, SDC);
- Incidental sales by non-market establishments (ETF 1123, COFOG-A, SDC); and
- Imputed sales of goods and services (ETF 1124, COFOG-A, SDC).

Sales by market establishments (ETF 1121, COFOG-A, SDC)

6.121 *Sales by market establishments* (ETF 1121, COFOG-A, SDC) are a type of revenue which consist of the sales of all market establishments that are part of the units for which statistics are being compiled. Paragraph 5.137 of the IMF GFSM 21014 defines an establishment as part of an enterprise situated in a single location and at which only a single productive activity is carried out or the principal productive activity accounts for most of the value added. A market establishment within a government unit is a government unit that sells (or otherwise disposes of) all, or most of its output at economically significant prices (for definition, see Chapter 2 of this manual). Because public corporations comprise market establishments, their sales are included in this category when compiling statistics for the public sector, unless the sales are of a specific type that are to be recorded elsewhere (such as under insurance premiums and administrative fees). Income from rental payments made under an operating lease for the use of produced assets such as buildings, ships, aircraft, vehicles, buildings, copyrights, patents, trademarks, etc, are included in this classification category. Government income derived from the sale of non-financial assets other than inventories are disposals of non-financial assets (classified as *disposals of non-financial assets* (ETF 4211, NFAC, SDC)); and are not included in this classification category.

Administrative fees (ETF 1122, COFOG-A, SDC)

6.122 *Administrative fees* (ETF 1122, COFOG-A, SDC) are a type of revenue which consist of fees and charges for compulsory licences and other administrative fees that make up a part of sales of services. If the government exercises a regulatory function, such as checking the competency or qualifications of a would-be licensee, then such fees are treated as revenues from sales of goods and services. In this case, the payment is taken to be proportional to the cost of producing the service. If there is little or no work involved on the part of the government in the processing or granting of the licence, permit or other service, or if the revenues raised are clearly out of all proportion to the cost of providing the service, then the fee is classified as *other taxes on use of goods and performance of activities* (ETF 1111, TC 539, SDC). Examples of administrative fees include drivers' licence fees, court fees, and radio and television licence fees when public authorities provide general broadcasting services. Paragraph 5.138 of the IMF GFSM 2014 notes that fees payable for voluntary participation in deposit insurance or other guarantee schemes that do not qualify to be a standardised guarantee scheme are also included in this classification category. For further information on the boundary between taxes and the purchases of services, see Chapter 13 of this manual.

Incidental sales by non-market establishments (ETF 1123, COFOG-A, SDC)

6.123 *Incidental sales by non-market establishments* (ETF 1123, COFOG-A, SDC) are a type of revenue which consist of incidental sales by non-market establishments of general government units other than administrative fees. Paragraph 5.139 of the IMF GFSM 2014 indicates that this classification category includes sales incidental to the usual social or community activities of government departments and agencies, such as sales of products made at vocational schools, seeds from experimental farms, postcards and art reproductions by museums, fees at government hospitals and clinics, tuition fees at government schools, and admission fees to government museums, parks, and cultural and recreational facilities that are not public corporations.

Imputed sales of goods and services (ETF 1124, COFOG-A, SDC)

6.124 *Imputed sales of goods and services* (ETF 1124, COFOG-A, SDC) are a type of revenue which consist of imputed income from sales rather than actual sales of goods and services. Paragraph 5.140 of the IMF

GFSM 2014 states that it may be necessary to record imputed sales of goods and services in situations where a unit produces goods and services for the purpose of using them as compensation of employees in kind, or when goods or services are provided on a continuous basis, but where payment or the change in legal ownership takes place at a different time to the sale of goods and / or provision of services. Paragraph 5.140 of the IMF GFSM 2014 further notes that for a defined contribution pension scheme, this category also includes an imputed sale for the services rendered if the employer operates the scheme itself. In that case, the value of the costs of operating the scheme is recorded as an imputed contribution payable to the employee as part of compensation of employees. The counterpart of this amount should be recorded as an imputed sale of a financial service to the household sector under *imputed employers' contributions - defined benefit superannuation* (ETF 1213, COFOG-A, SDC).

Property income (ETF 113)

6.125 *Property income* (ETF 113) is defined as revenue receivable in return for putting financial assets and natural resources at the disposal of another unit. This refers to income accrued from the ownership of financial assets or tangible non-produced assets. In the GFS system, *property income* (ETF 113) is further classified as:

- *Interest income* (ETF 1131, SDC);
- *Dividend income* (ETF 1132, SDC);
- *Withdrawal from income of quasi-corporations* (ETF 1133, SDC);
- *Land rent income* (ETF 1134, SDC);
- *Royalty income* (ETF 1135, SDC);
- *Revenue from investment funds* (ETF 1136, SDC);
- *Reinvested earnings from foreign direct investments* (ETF 1137, SDC); and
- *Property income not elsewhere classified* (ETF 1139, SDC).

Interest income (ETF 1131, SDC)

6.126 *Interest income* (ETF 1131, SDC) is a type of revenue which consists of income that is receivable by owners of certain kinds of financial assets (SDRs, deposits, debt securities, loans, and other accounts receivable) for putting the financial asset at the disposal of another institutional unit. In the case of financial assets that give rise to interest, an amount of outstanding debt will increase as interest accrues continuously over the period that the financial asset exists. The amount due to the creditor will decline as payments are made on the debt by the debtor. The balance that a debtor owes to a creditor at any time is referred to as the principal outstanding. Paragraph 5.108 of the IMF GFSM 2014 notes that interest income can accrue on advances to the private sector, public corporations, building societies and foreign governments, and on bank account balances, fixed deposits held with banks, government securities, intra-sector deposits and short-term money market balances.

6.127 Paragraph 5.109 of the IMF GFSM 2014 notes that interest may be a predetermined sum of money or a fixed or variable percentage of the principal outstanding. If some (or all) of the interest is not accrued during the period in question, the accrued interest should be added to the amount of the principal outstanding.

6.128 *Interest income* (ETF 1131, SDC) includes interest on advances to the private sector, public corporations, building societies and foreign governments; interest on bank account balances and fixed deposits held with banks, government securities, intra-sector deposits and short term money market balances; imputed interest that originates from interest foregone by employers when they provide loans to employees at reduced, or even zero rates of interest as part of the remuneration in kind of government and public sector employees; and interest charged on overdue taxes. Also included are accrued interest flows from a funded defined benefit superannuation scheme that is over-funded, that is, the financial assets held by the defined benefit superannuation scheme exceeds the value of the superannuation entitlements, leading to a claim of the employer on the superannuation scheme. When the superannuation scheme is over-funded, the accounts should show an accrued interest flow from the defined benefit superannuation scheme to the employer, equal to the discount rate that is used in calculating the superannuation entitlements times the claim of the superannuation scheme on the employer. Excluded from the concept of *interest income* (ETF 1131, SDC) are cash settlements of interest swap contracts, which are treated as financial transactions.

6.129 In Australian GFS, interest income includes financial intermediation services indirectly measured (FISIM). FISIM is a service fee charged by financial institutions for providing their services to depositors and borrowers. FISIM represents the service implicitly provided by financial intermediaries such as banks, on deposit and loan facilities. It is measured as the difference between the interest rates on loans and deposits and a pure or reference rate of interest, multiplied by the level of loans and deposits, respectively. For depositors and borrowers of financial institutions, FISIM is implicit in the interest rates charged by financial intermediaries and cannot easily be separately identified from interest income. A large part of the output of financial institutions has to be imputed by the ABS because part of the interest received by the institutions is deemed to arise from production (i.e. payment for services rendered by the institutions), and part is deemed to be property income, which does not arise from production and is recorded in the allocation of primary income account. The imputed amounts of FISIM are deducted from the interest receivable by financial institutions and included in their output, and are also deducted from the interest payable by users of the institutions' services and included in their intermediate consumption. FISIM remains included as part of the concept of *interest income* (ETF 1131, SDC) reported by Australian state and territory treasuries, the Department of Finance and other providers. The FISIM portion is estimated by compilers of the National Accounts in the ABS for all depositors and borrowers of financial institutions, and is then removed from *interest income* (ETF 1131, SDC) for national accounting purposes.

Dividend income (ETF 1132, SDC)

6.130 *Dividend income* (ETF 1132, SDC) is a type of revenue which consists of distributed earnings allocated to government or public sector units (as the owners of equity), for placing funds at the disposal of corporations. Dividend income is not funded by the sale of assets, capital restructure, borrowings or other credit arrangements. Paragraph 5.111 of the IMF GFSM 2014 consider dividends as a form of property income to which government or public sector units become entitled in their capacity as shareholders and / or owners of a corporation. General government units may receive dividends from private or public corporations. Dividends may occasionally take the form of an issue of shares, but the concept of dividend income excludes issues of bonus shares that represent a reclassification between own funds, reserves and undistributed profits. Dividend income is also distinguished from the sale or other divestment of equity holdings, which are sales of financial assets and not revenues.

6.131 For GFS purposes, dividends are recorded at the time the dividend is declared payable for non-quoted shares. Paragraph 5.112 of the IMF GFSM 2014 states that quoted shares may be sold 'ex-dividend', which is the date that the dividend is excluded from the market price prior to sale. The owner of the equity at the ex-dividend date (not the owner on the date dividends became payable), has the right to the dividend. A share sold ex-dividend is therefore worth less than one sold without this constraint. In this case, the time of recording of dividends is the point at which the share price starts to be quoted on an ex-dividend basis rather than at a price that includes the dividend.

6.132 The concept of dividend income includes income from dividends to public enterprises from subsidiaries; dividends from shares held as investments in private and public corporations; transfers of income from public non-financial corporations and public financial corporations; profits of central banks transferred to government units; profits transferred or distributed from the operation of monetary authority functions outside the central bank; profits transferred by state lotteries that compete with other privately organised lotteries; and issues of shares as a dividend.

6.133 Excluded from the concept of dividend income is revenue from the IMF's gold disbursements (classified to *transactions in financial assets (net) - equity including contributed capital* (ETF 3111, FALC 124, SDC); issues of bonus shares that represent a reclassification between own funds, reserves and undistributed profits (classified to *transactions in financial assets (net) - equity including contributed capital* (ETF 3111, FALC 124, SDC)); profits of fiscal monopolies (classified to *taxes on products (derived by the ABS)* (ETF 1114)); profits of export or import monopolies (classified to *taxes on products (derived by the ABS)* (ETF 1114, TC, SDC)); dividends declared greatly in excess of the recent level of dividends and earnings (classified to *transactions in financial assets (net)* (ETF 3111), *equity including contributed capital* (FALC 124), (SDC)); and interim dividends where evidence exists that such dividends are not from the current period's operating surplus (classified to *transactions in financial assets (net)* (ETF 3111), *advances other than concessional loans* (FALC 133), (SDC)).

Interim dividends

6.134 These are dividends that are received during a reporting period, but before the final operating result of a corporation is known. Paragraph 5.117 of the IMF GFSM 201 recommends that if evidence exists that such dividends are not from the current period's operating surplus, the interim dividend payments should be recorded as *transactions in financial assets (net) - advances other than concessional loans* (ETF 3111, FALC 133, SDC).

Super dividends

6.135 All dividends are notionally paid from the operating surplus of the current period by a corporation. However, corporations sometimes adjust the value of dividends, particularly if their operating surplus is very volatile. Paragraph 5.115 of the IMF GFSM 2014 indicates that such adjustments to the value of dividends is normal, except when dividends are disproportionately large in relation to the recent level of dividends and earnings. Disproportionately large payments of dividends are referred to as super dividends, and are often based on accumulated reserves, privatisation receipts, other sales of assets, or holding gains, rather than operating surpluses. Therefore, the payment of super dividends more closely resembles an equity transaction than a dividend payment, and any dividends declared greatly in excess of the recent level of dividends and earnings should be recorded as the withdrawal of owners' equity from the corporation in GFS and classified as *transactions in financial assets (net) - equity including contributed capital* (ETF 3111, FALC 124, SDC). Determining whether dividends are in line with past practice is recommended for all corporations, including the central bank.

Withdrawal from income of quasi-corporations (ETF 1133, SDC)

6.136 *Withdrawals from income of quasi-corporations* (ETF 1133, SDC) is a type of revenue which consists of that part of distributable income that the owner withdraws from the entity. A quasi-corporation is an enterprise owned by a resident institutional unit (or non-resident institutional unit that is deemed to be a resident institutional unit) that keeps a full set of accounts (including a balance sheet) and functions as if it were a corporation, but is not incorporated or otherwise legally established. By definition, a quasi-corporation cannot distribute income in the form of dividends, however, the owner may choose to withdraw some (or all) of the distributable income. Conceptually, the withdrawal of such income is equivalent to the distribution of dividends and is treated as property income accruing to the owners of the quasi-corporation.

6.137 Excluded from the concept of *withdrawal of income from quasi-corporations* (ETF 1133, SDC) are withdrawals of funds realised from the sale or other disposal of the quasi-corporation's assets such as inventories, non-financial produced assets, land or other non-produced assets (classified to *transactions in financial assets (net) - equity including contributed capital* (ETF 3111, FALC 124, SDC)); and withdrawals of funds realised from the liquidation of large amounts of accumulated retained earnings or other reserves (classified to *transactions in financial assets (net) - equity including contributed capital* (ETF 3111, FALC 124, SDC)).

Land rent income (ETF 1134, SDC)

6.138 *Land rent income* (ETF 1134, SDC) is a type of revenue which consists of income in the form of rent for the use of land and other non-produced assets. This classification category includes rent on leasehold land in the territories (ACT and NT), and other leasing of crown lands. Rent on land accrues continuously throughout the period of the lease contract. Paragraph 5.127 of the IMF GFSM 2014 recommends that rent payable to government sector units that own inland waters and rivers for the right to exploit such waters for recreational or other purposes (including fishing), or non-cultivated land for the right to cut timber on the land be included as part of *land rent income* (ETF 1134, SDC). In the case of permits that allow timber felling in a natural forest, fees payable per unit volume of timber felled (stumpage) are also recorded as *land rent income* (ETF 1134, SDC).

6.139 In situations where a single payment covers both land rent and rentals of produced assets (such as rentals on the buildings or fixtures on the land) in a single contract or lease, and there is no objective basis on which to split the payment between rent on land and rental on the produced assets, then paragraph 5.132 of the IMF GFSM 2014 recommends to treat the whole amount as *land rent income* (ETF 1134, SDC) if the value of the land is believed to exceed the value of the buildings and other produced assets.

Royalty income (ETF 1135, SDC)

6.140 *Royalty income* (ETF 1135, SDC) is a type of revenue which consists of rent income relating to the use of non-produced subsoil assets such as deposits of minerals, off-shore petroleum or fossil fuels such as coal, oil, or natural gas. Paragraph 5.130 of the IMF GFSM 2014 states that general government units may grant leases to other institutional units that permit them to extract these deposits over a specified period of time in return for a payment, or series of payments. These payments are called royalties in GFS. The rent may take the form of periodic payments of fixed amounts that are irrespective of the rate of extraction, or they may be a function of the quantity, volume, or value of the asset extracted. Enterprises engaged in exploration on government land may make payments to general government units in exchange for the right to undertake test drilling or otherwise investigate the existence and location of subsoil assets. Such payments are also treated as rents even though no extraction may take place.

6.141 Although the terms rent and royalties are widely used in commercial accounting, paragraph 5.133 of the IMF GFSM 2014 warns that rents and royalties in the macroeconomic context should not be confused with severance taxes, business licences, or other taxes. Severance taxes are imposed on the extraction of minerals and fossil fuels from reserves owned privately or by another government. If the payment counts toward the taxes on profits, then it should be classified as *taxation revenue* (ETF 1111, TC, SDC). Payments received from licences or permits to conduct extraction operations should be classified as *land rent income* (ETF 1134, SDC) or *royalty income* (ETF 1135, SDC).

Revenue from investment funds (ETF 1136, SDC)

6.142 *Revenue from investment funds* (ETF 1136, SDC) is a type of revenue which consists of revenue from collective investment undertakings through which investors pool funds specifically for investment in financial or non-financial assets. Investment funds may take the form of mutual funds or unit trusts. Investors in an investment fund will receive shares if the investment fund operates under a corporate structure, or units if the investment fund operates under a trust structure. Paragraph 7.174 of the IMF GFSM 2014 states that investment funds are divided into Money Market Funds (MMF) and non-MMFs. MMFs invest in money market instruments with a residual maturity of less than one year, and the units of MMFs are taken as close substitutes for bank deposits. Non-MMF investment funds invest in longer-term financial assets and real estate.

6.143 An investor in an investment fund can choose to either leave their investment in the fund, or withdraw their investment at the current market value through secondary market trading / redemption facilities. Because of this high degree of control that investors have over their investment in an investment fund, and because there can be no savings in an investment fund because all earnings are issued to the investors, paragraph 9.56 of the IMF GFSM 2014 considers any increases in the value of investment fund shares (that are not the result of holding gains and after reinvested earnings have been deducted) to be property income resulting from deliberate investment decisions.

6.144 Paragraph 5.121 of the IMF GFSM 2014 notes that investment income attributed to holders of share or units in investment funds includes two separate items. The first of these is the dividends distributed to investment fund shareholders. The second is retained earnings attributed to investment fund shareholders. The increase in value of investment fund shares or units other than from holding gains and losses is recorded as if they were distributed to the share or unit holders and then reinvested by them in the financial instrument.

6.145 Paragraph 5.120 of the IMF GFSM 2014 indicates that insurance enterprises hold technical reserves in the form of prepayments of premiums, reserves against outstanding claims, and actuarial reserves against outstanding risks with respect to life insurance policies. These reserves are liabilities toward the beneficiaries, including any government or other public sector units that are policyholders. Any income receivable from the investment of the corresponding assets should also be attributed as the property income of the policyholders or beneficiaries. However, for government sector units as the holder of policies, the revenue related to this item is likely to be unknown, and therefore this revenue item is excluded from GFS and is treated as an adjustment item between GFS and national accounts.

Reinvested earnings on foreign direct investment (ETF 1137, SDC)

6.146 *Reinvested earnings on foreign direct investment* (ETF 1137, SDC) are a type of revenue which consist of direct investor's share of the retained earnings of the direct investment enterprise. Paragraph 5.134 of the IMF GFSM 2014 describes direct investment as a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. A general government unit or public corporation may have foreign direct investment in non-resident special purpose entities (SPEs), or non-resident branches or subsidiaries of public corporations. Actual distributions receivable from such non-resident units out of their distributable income should be recorded as *dividend income* (ETF 1132, SDC) or *withdrawal from income of quasi-corporations* (ETF 1133, SDC).

6.147 Paragraph 5.135 of the IMF GFSM 2014 states that any retained earnings of a foreign direct investment enterprise are to be recorded as if they were distributed to foreign direct investors in proportion to their ownership of the equity of the enterprise and then reinvested by them. The imputed remittance of these retained earnings is classified as a form of distributed income that is separate from, and additional to, any actual payments of dividends or withdrawals of income from quasi-corporations, and should be recorded as *reinvested earnings on foreign direct investment* (ETF 1137). The counterpart entry for the imputed reinvestment should be recorded as the acquisition of equity and classified as *transactions in financial assets (net)* (ETF 3111)*, equity including contributed capital* (FALC 124, SDC). The rationale behind this treatment is that, because a direct investment enterprise is subject to control or influence by the direct investor or investors, the decision to retain some of its earnings within the enterprise represents an investment decision on the part of the foreign direct investor(s).

Property income not elsewhere classified (ETF 1139, SDC)

6.148 Property income not elsewhere classified (ETF 1139, SDC) records the value of property income not elsewhere classified as *interest income* (ETF 1131, SDC), *dividend income* (ETF 1132, SDC), *withdrawals from income of quasi-corporations* (ETF 1133, SDC), *land rent income* (ETF 1134, SDC), *royalty income* (ETF 1135, SDC), *revenue from investment funds* (ETF 1136, SDC), or *reinvested earnings on foreign direct investment* (ETF 1137, SDC).

Other current revenue (ETF 114)

6.149 *Other current revenue* (ETF 155, SDC) are types of revenue which consist of revenue other than from *taxation revenue* (ETF 111, TC, SDC), *sales of goods and services* (ETF 112, COFOG-A, SDC), and *property income* (ETF 113, SDC). In the GFS system, *other current revenue* (ETF 114) is further classified as:

- Revenue from current grants and subsidies (ETF 1141, SDC);
- Fines, penalties and forfeits (ETF 1142, SDC)
- Premiums, fees and current claims related to non-life insurance and standardised guarantee schemes (ETF 1143, SDC); and
- Other current revenue not elsewhere classified (ETF 1149, SDC).

Revenue from current grants and subsidies (ETF 1141, SDC)

6.150 *Revenue from current grants and subsidies* (ETF 1141, SDC) are a type of revenue which consist of current transfers receivable by government units. Current transfer revenues comprise current grants which are defined as amounts receivable for current purposes for which no economic benefits are payable in return, and subsidies which are defined in paragraph 5.146 of the IMF GFSM 2014 as current unrequited transfers received by public enterprises on the basis of the level of their production activities, or the quantities or values of the goods and services they produce, sell, export or import. Grants are normally receivable in cash, but may also take the form of the receipt of goods or services (in kind). Subsidies include transfers receivable by public corporations to offset recurring losses that are a consequence of government policy to maintain the corporations' prices at a level that does not cover the cost of production.

Fines, penalties and forfeits (ETF 1142, SDC)

6.151 *Fines, penalties and forfeits* (ETF 1142, SDC) are a type of revenue which consist of compulsory current transfers imposed on units by courts of law or quasi-judicial bodies for violations of laws or administrative rules. Paragraph 5.142 of the IMF GFSM 2014 states that out-of-court agreements are included as part of this classification item, as are forfeits which are amounts deposited with a general government unit pending a legal or administrative proceeding that have been transferred to the general government unit as part of the resolution of that proceeding.

6.152 Penalties imposed by tax authorities are excluded from *fines, penalties and forfeitures* (ETF 1142), and are instead classified to the appropriate category under *taxation revenue* (ETF 1111, TC, SDC). However, paragraph 5.143 of the IMF GFSM 2014 recommends that fines and penalties charged on overdue taxes or for the attempted evasion of taxes should be recorded as *fines, penalties and forfeitures* (ETF 1142) and not as *taxation revenue* (ETF 1111, TC, SDC). However, it may not be possible to separate payments of fines or other penalties from the taxes to which they relate. Therefore, the fines and penalties relating to a particular tax are recorded together with that tax, and any fines and penalties related to unidentifiable taxes are classified as *other income tax levied on individuals* (ETF 1111, TC 119, SDC) for individuals, and *other income taxes levied on non-residents not elsewhere classified* (ETF 1111, TC 139, SDC) for non-residents.

6.153 In the GFS system, fines, penalties, and forfeits are recorded when the general government unit has an unconditional claim to the funds. Paragraph 5.144 of the IMF GFSM 2014 states that this may be at the time that a court renders judgment or an administrative ruling is published, or it may be when a late payment or other infringement automatically causes a fine or penalty. Fines also include bail set by courts when bail conditions have been violated. When bail is set, repayable amounts should be recorded as *transactions in liabilities (net) - other liabilities not elsewhere classified* (ETF 3211, FALC 259, SDC) and should only be recorded as revenue once the conditions for the bail are violated. In cases where no actual payment is made when bail is set, the government acquires a conditional claim to the funds which is not recorded in the GFS system until the conditions are fulfilled.

Premiums, fees and current claims related to non-life insurance and standardised guarantee schemes (ETF 1143, SDC)

6.154 *Premiums, fees and current claims related to non-life insurance and standardised guarantee schemes* (ETF 1143, SDC) are a type of revenue which consist of premiums receivable by non-life insurance schemes from insurance policyholders, claims receivable from insurance schemes by beneficiaries, and fees receivable for the issuance of standardised guarantees of a current nature. Paragraph 5.149 of the IMF GFSM 2014 states that while premiums and fees are always of a current nature, claims receivable could be of a capital or current nature.

6.155 Paragraph 5.150 of the IMF GFSM 2014 indicates that premiums and fees receivable recorded under this classification category should only include those that provide insurance coverage in the current reporting period. Receipts of prepayment of premiums and fees should not be recognised as revenue, but should be recorded as the incurrence of a liability under *transactions in liabilities (net) - non-life insurance technical reserves* (ETF 3211, FALC 241, SDC).

Other current transfers not elsewhere classified (ETF 1149, SDC)

6.156 *Other current transfers not elsewhere classified* (ETF 1149, SDC) are a type of revenue which consist of the receipt of transfers from sources other than from *revenue from current grants and subsidies* (ETF 1141, SDC), *fines, penalties and forfeits* (ETF 1142, SDC), or *premiums, fees and current claims related to non-life insurance and standardised guarantee schemes* (ETF 1143, SDC). This classification category includes gifts and transfers of a current nature (other than grants or subsidies). Paragraph 5.147 of the IMF GFSM 2014 states that these transfers could be in cash or in kind, e.g. contributions of food, blankets, and medical supplies for relief purposes. This classification category also includes the revenue of local governments in lieu of municipal rates, gifts, conscience moneys, and unclaimed moneys such as unclaimed lottery prizes, unclaimed TAB dividends, and unclaimed moneys in bank accounts.

Capital revenue (ETF 115)

6.157 *Capital revenue* (ETF 115) consists of other revenue for capital purposes. In the GFS system, *capital revenue* (ETF 115) is further classified as:

- Revenue from capital grants (ETF 1151, SDC);
- Assets acquired below market value (ETF 1152, COFOG-A, NFAC, SDC);
- Capital claims related to non-life insurance and standardised guarantee schemes (ETF 1153, SDC); and
- Capital revenue not elsewhere classified (ETF 1159, SDC).

Revenue from capital grants (ETF 1151, SDC)

6.158 *Revenue from capital grants* (ETF 1151, SDC) are a type of transfer revenue which consist of receipts of a capital nature for which no economic benefits are payable in return. These differ from current grants which are transfers receivable for current purposes. Capital grants are usually non-recurrent, and irregular for the donor or the recipient. Included are grants for capital purposes received from private non-profit institutions serving households, foreign governments, and international organisations (including grants received from aid projects), and capital grants received by one level of government from another (e.g. Commonwealth to state / territory). Included are transfers received in the form of compensation for damage or destruction of non-financial assets, or to increase financial capital.

Assets acquired below market value (ETF 1152, COFOG-A, NFAC, SDC)

6.159 *Assets acquired below market value* (ETF 1152, COFOG-A, NFAC, SDC) consists of the capital grant received when capital assets are acquired below current market value or without cost. The capital grant is equal to the difference between the current market value and the acquisition cost of the asset. This type of acquisition is recorded by imputation of equivalent transactions when they are of an economic nature and where valuations are realistically obtainable.

Capital claims related to non-life insurance and standardised guarantee schemes (ETF 1153, SDC)

6.160 *Capital claims related to non-life insurance and standardised guarantee schemes* (ETF 1153, SDC) are a type of revenue which consist of the claims receivable from insurance schemes by beneficiaries of a capital nature. Paragraph 5.149 of the IMF GFSM 2014 states that while premiums and fees are always of a current nature, claims receivable could be of a capital or current nature. Paragraph 5.151 of the IMF GFSM 2014 states that all non-life insurance claims are classified as current transfers, unless the nature of the claim makes it necessary to record a capital transfer.

Capital revenue not elsewhere classified (ETF 1159, SDC)

6.161 *Other capital revenue not elsewhere classified* (ETF 1159, SDC) is a type of revenue which consists of all other revenue for capital purposes. Included in this classification category are gifts and transfers of a capital nature (other than grants) from individuals, private non-profit institutions, non-governmental foundations, or corporations. Paragraph 5.148 of the IMF GFSM 2014 gives the following examples of items that are included in this classification category:

- Major non-recurrent payments receivable in compensation for extensive damages or serious injuries not covered by insurance policies. The payments may be awarded by courts of law or settled out of court. They include payments of compensation for damages caused by major explosions, oil spillages, etc.;
- International aid of a capital nature receivable after natural disasters from non-residents other than international organisations and foreign governments;
- Payments receivable for damage to property other than payments from an insurance settlement;
- Transfers receivable from government units by public corporations to cover large operating deficits accumulated over two or more years. Where a realistic expectation exists that such amounts will be repayable, the transaction should be classified as the acquisition of a financial asset under *transactions in financial assets (net)* (ETF 3111, FALC, SDC) for the government unit and incurrence of liability for the public corporation (*transactions in liabilities (net)* (ETF 3211, FALC, SDC));
- Legacies or large gifts receivable by government or public sector units, including gifts of land, buildings, or research and development assets such as patents and copyrights;
- Exceptionally large donations receivable from households or enterprises to public sector units to finance gross fixed capital formation (measured in macroeconomic statistics as acquisitions minus disposals of non-financial produced assets). For example, transfers for the construction or purchase of hospitals, schools, museums, theatres, and cultural centres, or gifts to universities to cover the costs of building new residential colleges, libraries, laboratories, etc.;
- Capital transfers from corporations, quasi-corporations, non-profit institutions serving households, households, and non-residents other than governments and international organisations for the cancellation or assumption of a debt by mutual agreement with the government without the government incurring an effective liability toward them;
- Amounts receivable in excess of the expected value of liabilities assumed for the provision of employment related pension entitlements. Amounts receivable up to the expected value of the liabilities should be recorded as *transactions in liabilities (net) - insurance, superannuation, and standardised guarantee schemes* (ETF 3211, FALC 24, SDC); and
- Community built assets where responsibility for maintenance is then assumed by a public sector unit.

CHAPTER 7 - EXPENSES

PART A - INTRODUCTION

7.1 Expenses are defined as decreases in net worth resulting from transactions. In GFS, expenses have counterpart entries as either decreases in assets or increases in liabilities recorded in the GFS balance sheet. Payments in connection with work relating to own-account capital formation are reported as transactions in *own-account capital formation* (ETF 4113, NFAC, COFOG-A, SDC) as part of acquisitions of non-financial assets, with a further break down classified to the appropriate category in *own-account capital formation* (ETF 76) as part of supplementary information (see Appendix 1 Part B of this manual).

7.2 This chapter will examine the types of expenses, the time of recording expenses, and the detailed classification of expenses.

PART B - TYPES OF EXPENSES

7.3 The most common types of expenses for most public sector units are employee expenses, non-employee expenses and transfer expenses. In the GFS system, expenses are recorded net of recoverable GST, and consist primarily of:

- *Superannuation expenses* (ETF 121);
- *Other employee expenses* (ETF 122);
- *Non-employee expenses* (ETF 123);
- *Depreciation* (ETF 124);
- *Current transfer expenses* (ETF 125);
- *Capital transfer expenses* (ETF 126);
- *Interest expenses* (ETF 127); and
- *Other property expenses* (ETF 128).

7.4 There are two types of transactions that are treated as decreases in expense rather than revenue in GFS. These are:

- <u>Refunds paid, recoveries of overpayments, and erroneous payments</u> - these transactions are adjustments that correct an excessive decrease in net worth previously recorded. As such, these transactions are treated as a reduction in expense, with a corresponding reduction in accounts payable / cash; and
- <u>The costs incurred in the production of goods and services</u> - these are recorded as expenses despite the fact that the goods and services may have been sold for a price that exceeded the cost of production, thereby increasing net worth. The amount receivable for the sale of the goods and services is recorded as revenue and not as a reduction in expense.

7.5 Paragraph 6.5 of the IMF GFSM 2014 further indicates that some transactions are exchanges in assets and / or liabilities and should not be recorded as expenses. The acquisition of a non-financial asset by purchase or barter does not affect net worth, and these transactions are not expenses. They are transactions in non-financial assets as described in Chapter 10 of this manual. However, when ownership of an asset is given up without receiving anything of value in return, the net worth of the unit has decreased. This increase in expense is recorded as a capital transfer. Amounts payable on loans extended, and repayments on loans incurred are also not recorded as expenses. These are transactions in financial assets or liabilities as described in Chapter 9 of this manual.

PART C - TIME OF RECORDING OF EXPENSES

7.6 In the Australian GFS, expenses are recorded on an accruals basis when activities, transactions, or other events occur that create an unconditional obligation to make payments, or otherwise give up resources. However, an expense is not recorded for the payment of all goods. Paragraph 6.6 of the IMF GFSM 2014 states that goods which are not immediately consumed or otherwise utilised by a producer unit as part of the production process during the reporting period, are added to their stock of inventories rather than expensed. This is because the goods will be used as part of future production processes. In addition, where purchased goods are used in own-account capital formation for the creation of another asset, their value is recorded as a transaction in *own-account capital formation* (ETF 4113, NFAC, COFOG-A) as part of acquisitions of non-financial assets, with a further break down classified to an appropriate category within *own-account use of goods and services* (ETF 76, NFAC, COFOG-A) as part of supplementary information (see Appendix 1 Part B). However, where goods are consumed during the process of providing a service, an expense is recorded in the GFS system.

Timing adjustments of expenses in quarterly Australian GFS

7.7 Some GFS quarterly data supplied by state or territory treasuries, the Department of Finance, or other GFS data providers are only reported on a year-to-date basis, or on an annual basis. Where this is the case, the ABS applies timing adjustments so that the data better represent the actual economic activity over the four financial quarters. The ABS does this by pro-rating the value of the relevant expense across the four financial quarters, in consultation with the relevant state or territory treasury, the Department of Finance, or other GFS data providers.

7.8 Other GFS expense items which may attract timing adjustments are:

- Superannuation expenses (ETF 121) and other employee expenses (ETF 122) - payment may occur in the quarter before or after the period to which the employee work relates, due to public holidays or departmental shut down periods falling during scheduled pay days. In Australia, this can occur around the Christmas and Easter periods. Where these cases are identified, the ABS will request information from the relevant state or territory treasury, the Department of Finance, or other GFS data provider to move the payments to the quarter to which they relate.
- Social benefit to households in goods and services (ETF 1232) - payments that are due to occur during departmental holiday shut down periods pose a similar problem to the payment of wages and salaries. On some occasions, social benefit payments that are for the March quarter are made in the December quarter due to the Christmas shut down period. Where these cases are identified, the ABS will request information from the relevant state or territory treasury, the Department of Finance or other GFS data provider to move the payments to the quarter to which they relate.
- Land rent and royalty expenses (ETF 1283) - payment for royalty expenses may be annual or bi-annual. However, the production that gives rise to the royalties continues throughout the year and so royalties should be recorded in the period pertaining to the production regardless of when the actual payments are made. Where these cases are identified, the ABS will request information from the relevant state or territory treasury, the Department of Finance or other GFS data provider to move the payments to the quarter to which the production relates.
- Volatile data - where quarterly GFS data reported to the ABS are volatile and result in large movements which do not have a plausible economic explanation, the ABS may apply timing adjustments to provide for a GFS series that is more in line with the underlying activity rather than the financial reporting of the activity. An example might be where large increases in operating expenses are recorded in the June quarter which may reflect the payment of invoices from earlier periods, or the pre-payment of expenses for a future quarter (e.g. cash based rather than accrual reporting). In most cases, the year-to-date totals remain unchanged. In such a situation, the ABS would retain the year to date total but adjust the quarterly pattern of data according to the following criteria in consultation with the relevant state or territory treasury, the Department of Finance or other GFS data provider if:
  - Movements exceed a pre-determined threshold (e.g. greater than 10%); and
  - A plausible economic explanation for the large movement is not available.

PART D - THE CLASSIFICATION OF EXPENSES

7.9 As is previously noted, expenses are decreases in net worth resulting from transactions. In the Australian GFS, expenses are classified by type of expense using the classification codes in the economic type framework (ETF). Expenses are further classified by purpose of the expense using an appropriate code in the classification of the functions of government - Australian (COFOG-A), and by destination using an appropriate code in the source destination classification (SDC). Note that all payments connected with own-account capital formation are reported as transactions in *own-account capital formation* (ETF 4113, NFAC, COFOG-A) as part of acquisitions of non-financial assets, with a further breakdown using an appropriate category in the supplementary information under *own-account capital formation* (ETF 76, NFAC, COFOG-A) (see Appendix 1 Part B). Further discussion on expenses can be found in Chapter 5 of this manual. The detailed classification of expenses is shown in Table 7.1 below.

Table 7.1 - Detailed classification of expenses

Descriptor	**Classification codes**
Expenses	**ETF 12**
Superannuation expenses	**ETF 121**
Superannuation expenses - defined contribution scheme	ETF 1211 COFOG-A SDC
Superannuation expenses - defined benefit scheme	ETF 1212 COFOG-A SDC
Imputed employers' contributions - defined benefit scheme	ETF 1213 COFOG-A SDC
Other employee expenses	**ETF 122**
Wages, salaries and supplements in cash	ETF 1221 COFOG-A SDC
Wages and salaries in kind	ETF 1222 COFOG-A SDC
Fringe benefits tax (FBT) expenses	ETF 1223 COFOG-A SDC
Workers' compensation expenses	ETF 1224 COFOG-A SDC
Other employee expenses not elsewhere classified	ETF 1229 COFOG-A SDC
Non-employee expenses	**ETF 123**
Production tax expenses	ETF 1231 COFOG-A TC SDC
Social benefits to households in goods and services	ETF 1232 COFOG-A SDC
Use of goods and services	ETF 1233 COFOG-A SDC
Other non-employee expenses not elsewhere classified	ETF 1239 COFOG-A SDC
Depreciation	**ETF 124**
Depreciation of fixed assets (non-defence)	ETF 1241 NFAC COFOG-A
Depreciation of fixed assets (defence)	ETF 1242 NFAC COFOG-A
Current transfer expenses	**ETF 125**
Current grants expenses	ETF 1251 COFOG-A SDC

Subsidies on products	ETF 1252 COFOG-A SDC
Other subsidies on production	ETF 1253 COFOG-A SDC
Current monetary transfers to households	ETF 1254 COFOG-A SDC
Tax expenses	ETF 1255 COFOG-A TC SDC
Premiums, fees and current claims related to non-life insurance and standardised guarantee schemes	ETF 1256 COFOG-A SDC
Other current transfer expenses not elsewhere classified	ETF 1259 COFOG-A SDC
Capital transfer expenses	**ETF 126**
Capital grant expenses	ETF 1261 COFOG-A SDC
Assets donated	ETF 1262 COFOG-A NFAC SDC
Capital claims related to non-life insurance and standardised guarantee schemes	ETF 1263 COFOG-A SDC
Other capital transfer expenses not elsewhere classified	ETF 1269 COFOG-A SDC
Interest expenses	**ETF 127**
Accrued interest on defined benefit superannuation	ETF 1271 COFOG-A SDC
Other interest expense not elsewhere classified	ETF 1279 COFOG-A SDC
Other property expenses	**ETF 128**
Income transferred by public corporations as dividends	ETF 1281 COFOG-A SDC
Withdrawal from income of quasi-corporations	ETF 1282 COFOG-A SDC
Land rent and royalty expenses	ETF 1283 COFOG-A SDC
Dividends to shareholders	ETF 1284 COFOG-A SDC
Reinvested earnings on foreign direct investments	ETF 1285 COFOG-A SDC
Property expense for investment income disbursements	ETF 1286 COFOG-A SDC
Other property expenses not elsewhere classified	ETF 1289 COFOG-A SDC

Superannuation expenses (ETF 121)

7.10 *Superannuation expenses* (ETF 121) record data on expenses relating to employment-related superannuation schemes provided by government units to employees. In the GFS system, *superannuation expenses* (ETF 121) are further classified as:

- *Superannuation expenses - defined contribution scheme* (ETF 1211, COFOG-A, SDC);
- *Superannuation expenses - defined benefit scheme* (ETF 1212, COFOG-A, SDC); and
- *Imputed employers' contribution - defined benefit scheme* (ETF 1213, COFOG-A, SDC).

Superannuation expenses - defined contribution scheme (ETF 1211, COFOG-A, SDC)

7.11 *Superannuation expenses - defined contribution scheme* (ETF 1211, COFOG-A, SDC) record the expenses accrued under a defined contribution public sector superannuation scheme. Under such a scheme, the benefits payable to the employee on retirement are determined by the funds that have accumulated from employer and employee contributions over the working life of the employee, together with income and capital gains / losses arising from the investment of the accumulated funds. This item includes amounts payable by employers to defined contribution superannuation schemes, in respect of services provided by employees in the current period, to finance future superannuation payments. This item excludes amounts arising from actuarial reviews and reassessments which are treated as an other change in the volume of assets, and amounts relating to services not provided by employees in the current period.

Superannuation expenses - defined benefit scheme (ETF 1212, COFOG-A, SDC)

7.12 *Superannuation expenses - defined benefit scheme* (ETF 1212, COFOG-A, SDC) record the expenses accrued under a defined benefit public sector superannuation scheme. Under such a scheme, the benefits payable to the employee on retirement are determined by a formula, usually based on a combination of final salary (or final average salary), age at retirement and the number of years of membership in the scheme. This item includes amounts payable by employers to defined benefit superannuation schemes, in respect of services provided by employees in the current period, to finance future superannuation payments. This item excludes amounts arising from actuarial reviews and reassessments which are treated as an other change in the volume of assets, and amounts relating to services not provided by employees in the current period.

Imputed employers' contribution - defined benefit scheme (ETF 1213, COFOG-A, SDC)

7.13 *Imputed employers' contribution - defined benefit scheme* (ETF 1213, COFOG-A, SDC) consists of the amount of employer contributions to defined benefit superannuation schemes that would be needed to secure the de-facto entitlements to the benefits accumulated by their employees. Some employers provide benefits directly to their employees, former employees or their dependants from their own resources without involving an autonomous superannuation fund and without creating a special fund or segregated reserve for the purpose. This type of situation is uncommon however, as superannuation is compulsory in Australia.

7.14 Some funded defined benefit pension schemes may have financial assets that exceed the liabilities of the scheme to present and past employees. The defined benefit superannuation scheme is said to be 'over-funded' in such a case. Under these circumstances, it is possible for the employer to take a 'contribution holiday' and not make actual contributions for part of a period or one or more periods while the scheme remains over-funded. Nonetheless, an imputed contribution by the employer should be calculated and recorded.

Other employee expenses (ETF 122)

7.15 *Other employee expenses* (ETF 122) record the compensation of employees other than superannuation expenses. Paragraph 6.9 of the IMF GFSM 2014 defines compensation of employees as the total remuneration (in cash or in kind) payable to an individual in an employer / employee relationship in return for work done by the employee during the reporting period. In the international GFS standards, the concept of compensation of employees differs to that of the 2008 SNA because compensation of employees related to work done on own-account capital formation is excluded. In Australian GFS, although the concept of compensation of employees is aligned with the international GFS standards, to facilitate reporting under the ASNA 2012 employee payments relating to work done on own-account capital formation is recorded in the GFS system as transactions in *own-account capital formation* (ETF 4113, NFAC, COFOG-A) as part of acquisitions of non-financial assets, with a further break down classified to the appropriate category in *own-account capital formation* (ETF 76) as part of supplementary information (see Appendix 1 Part B).

7.16 The major part of employee expenses is made up of wages, salaries and supplements. Allowances for overtime, shift work, living away from home and travel are included, as are in-kind payments such as accommodation, vehicles and clothing provided by employers. Employee expenses also include salary sacrifice expenses, and accrued expenses for the period relating to workers' compensation premiums, fringe benefits tax expenses, employee sick leave, employee annual leave, employee long service leave, and expenses relating to retirement and redundancy of employees. Payments charged to capital works (e.g. wages and salaries, or employee superannuation expenses relating to own-account capital formation) are excluded from this category and are recorded separately as transactions in *own-account capital formation* (ETF 4113, NFAC, COFOG-A) as part of acquisitions of non-financial assets, with a further break down classified to the appropriate category in *own-account capital formation* (ETF 76) as part of the supplementary information (see Appendix 1 Part B). Taxes paid on employers' payroll and labour force are not included as employee expenses but are recorded as *tax expenses* (ETF 1255, COFOG-A, TC, SDC). Expenses relating to usage of labour hire agencies are also excluded from employee expenses and are classified as *use of goods and services* (ETF 1233, COFOG-A, SDC).

7.17 In the GFS system, *other employee expenses* (ETF 122, COFOG-A, SDC) are further classified as:

- *Wages, salaries and supplements in cash* (ETF 1221, COFOG-A, SDC);
- *Wages and salaries in kind* (ETF 1222, COFOG-A, SDC);
- *Fringe benefits tax* (FBT) expenses (ETF 1223, COFOG-A, SDC);
- *Workers' compensation expenses* (ETF 1224, COFOG-A, SDC); and
- *Other employee expenses not elsewhere classified* (ETF 1229, COFOG-A, SDC).

Wages, salaries and supplements in cash (ETF 1221, COFOG-A, SDC)

7.18 *Wages, salaries and supplements in cash* (ETF 1221, COFOG-A, SDC) record employer expenses relating to employee wages and salaries payable in cash, or any other financial instruments used as means of payments, to employees in return for work done. The use of the term 'cash' here should not be viewed as denoting the cash basis of recording, but rather denotes monetary remuneration. Paragraph 6.13 of the IMF GFSM 2014 includes the following kinds of remuneration included as wages, salaries and supplements in cash:

- Basic wages or salaries payable at regular weekly, monthly or other intervals, including payments by results and piecework payments; enhanced payments or special allowances for working overtime, at nights, on weekends or other irregular hours; allowances for working away from home or in disagreeable or hazardous circumstances; expatriation allowances for working abroad; etc.;
- Supplementary allowances payable regularly, such as housing allowances or allowances to cover the costs of travel to and from work, but excluding social benefits payable by the employers;
- Wages or salaries payable to employees away from work for short periods, for example, on vacation or as a result of a temporary halt to production, except during absences due to sickness, injury, annual leave etc.;
- Annual supplementary pay, such as bonuses and '13th month' pay;
- Ad hoc bonuses or other exceptional payments linked to the overall performance of the enterprise made under incentive schemes; and
- Commissions, gratuities, and tips received by employees: these should be included in payments for services rendered by the unit employing the worker, even when they are payable directly to the employee by a third party. They are thus regarded as being paid by the employer to the employee. Amounts directly paid to the employee should be rerouted to be included in revenue of the employer related to the service provided, and then expensed as wages and salaries.

7.19 Excluded from the concept of *wages, salaries and supplements in cash* (ETF 1221, COFOG-A, SDC) are wages and salaries charged to capital works (e.g. wages and salaries, or employee superannuation payments relating to own-account capital formation). These are recorded as transactions in *own-account capital formation* (ETF 4113, NFAC, COFOG-A) as part of acquisitions of non-financial assets, with a further break down classified to *own-account wages, salaries and supplements in cash* (ETF 7621, NFAC, COFOG-A) as part of the supplementary information (see Appendix 1 Part B). Taxes paid on employers' payroll and labour force are not included as employee expenses but are recorded as *tax expenses* (ETF 1255, COFOG-A, SDC, TC). Expenses relating to the usage of labour hire agencies (e.g. for contractors or non-ongoing staff) are also excluded from employee expenses and are classified as *use of goods and services* (ETF 1233, COFOG-A, SDC).

7.20 *Wages, salaries and supplements in cash* (ETF 1221, COFOG-A, SDC) also exclude reimbursement of costs incurred by employees in order to enable them to carry out their work. Paragraph 6.15 of the IMF GFSM 2014 notes the following exclusions:

- The reimbursement of travel, relocation, or related expenses made by employees when they take up new jobs or are required by their employers to move their homes to different parts of the country or to another country; and
- The reimbursement of costs incurred by employees on tools, equipment, special clothing, or other items that are needed exclusively, or primarily, to enable them to carry out their work. To the extent that employees, who are required by their contract of employment to purchase tools, equipment, special clothing, etc., are not fully reimbursed, the remaining expense they incur should be deducted from the amounts they receive in wages and salaries and the government's use of goods and services increased accordingly.

7.21 Paragraph 6.16 of the IMF GFSM 2014 notes that wages and salaries in cash also exclude social benefits payable by governments to their employees in the form of children's, spouse's, family, education, or other allowances in respect of dependants (classified to *other employee expenses not elsewhere classified* (ETF 1239, COFOG-A, SDC)); payments made at full, or reduced, wage or salary rates to workers absent from work because of illness, accidental injury, maternity leave, annual leave, etc. (classified to *other employee expenses not elsewhere classified* (ETF 1239, COFOG-A, SDC)); and severance payments to workers or their survivors who lose their jobs because of redundancy, incapacity, accidental death, etc (classified to *other employee expenses not elsewhere classified* (ETF 1239, COFOG-A, SDC)).

Wages and salaries in kind (ETF 1222, COFOG-A, SDC)

7.22 *Wages and salaries in kind* (ETF 1222, COFOG-A, SDC) record employer expenses relating to employee wages and salaries in kind that are payable in the form of goods, services, interest forgone, and shares issued to employees in return for work done. This category consists of goods and services provided without charge, or at reduced prices. When provided at reduced prices, the value of the wages and salaries in kind is derived from the difference between the full value of the goods and services and the amount payable by the employees. These goods and services provided in kind by the government to its employees are not necessary for work. They could be used by employees in their own time, and at their own discretion, for the satisfaction of their own needs or wants, or those of other members of their households.

7.23 Almost any kind of goods or services may be provided as wages and salaries in kind, however in kind amounts connected with own-account capital formation are excluded from this item and recorded as transactions in *own-account capital formation* (ETF 4113, NFAC, COFOG-A, SDC) as part of acquisitions of non-financial assets, with a further break down classified to *own-account wages and salaries in kind* (ETF 7622, NFAC, COFOG-A) as part of the supplementary information (see Appendix 1 Part B). Paragraph 6.17 of the IMF GFSM 2014 notes the most common types of goods and services provided to employees without charge, or at reduced prices, as:

- Meals and drinks provided on a regular basis, including any subsidy element of an office canteen (for practical reasons, it is unnecessary to make estimates for meals and drinks consumed as part of official entertainment or during business travel);
- Clothing or footwear that employees may choose to wear frequently outside of the workplace as well as while at work;

- Housing services or accommodation of a type that can be used by all members of the household to which the employee belongs;
- Vehicles or other durables provided for the personal use of employees;
- Goods and services produced by the employer, such as free travel on government airplanes or trains;
- Sports, recreation, or holiday facilities for employees and their families;
- Transportation to and from work, free or subsidised employee parking;
- Childcare for the children of employees;
- The value of the interest forgone by employers when they provide loans to employees at reduced or even zero rates of interest for purposes of buying houses, vehicles, furniture, or other goods or services. The value of interest forgone may be estimated as the amount the employee would have to pay if the market equivalent interest rates were charged minus the amount of interest actually payable, however, the sums involved may be too small and too uncertain to be worth estimating; and
- In the case of public corporations, wages and salaries in kind can also include bonus shares or stock options distributed to employees. Under a stock option agreement, the employer gives an employee the option to buy stocks or shares at a specified price at a future date.

Fringe benefits tax (FBT) expenses (ETF 1223, COFOG-A, SDC)

7.24 *Fringe benefits tax (FBT) expenses* (ETF 1223, COFOG-A, SDC) record the employers' FBT expenses. FBT is a tax levied on employers for non-cash benefits provided to employees. In Australia, fringe benefits tax is calculated at the highest marginal income tax rate plus the medicare levy. The Australian Taxation Office website (www.ato.gov.au) indicates that employer benefits provided to employees include rights and privileges such as:

- Use of a work car for private purposes;
- Below market loans to employees;
- Employee’s private health insurance costs;
- Cleaning services for an employee’s private residence;
- Reimbursement of non-business expenses incurred by an employee (such as school fees); or
- Entertainment by way of food, drink or recreation.

7.25 The Australian Taxation Office website (www.ato.gov.au) lists a number of items that are exempt from fringe benefits tax. They include (among others), work related items such as mobile phones, laptops and protective clothing. Also exempt from fringe benefits tax are living away from home allowances and employee relocation expenses.

Workers' compensation expenses (ETF 1224, COFOG-A, SDC)

7.26 *Workers' compensation expenses* (ETF 1224, COFOG-A, SDC) record the expenses of the employer regarding the provision of workers' compensation benefits to employees for national accounting purposes. Workers' compensation is a type of insurance that is compulsory for employers, which provides benefits to employees who are injured in the ordinary course or their employment. Benefits include the payment of the employee’s medical expenses relating to the injury (including rehabilitation), and wage replacement. Information about what types of benefits may be claimed under workers' compensation may be found at Safe Work Australia (www.safeworkaustralia.gov.au), which is the government body that is set up to coordinate and develop national policy and strategies regarding workers' compensation.

Other employee expenses not elsewhere classified (ETF 1229, COFOG-A, SDC)

7.27 *Other employee expenses not elsewhere classified* (ETF 1229, COFOG-A, SDC) record employee expenses other than wages, salaries and supplements in cash (ETF 1221, COFOG-A, SDC), wages and salaries in kind (ETF 1222, COFOG-A, SDC), Fringe Benefits Tax (FBT) expenses (ETF 1223, COFOG-A, SDC), or workers' compensation expenses (ETF 1224, COFOG-A, SDC). This item includes accrued expenses for the period relating to sick leave, annual leave, long service leave, retirement and redundancy.

Non-employee expenses (ETF 123)

7.28 *Non-employee expenses* (ETF 123) record operating expenses that are not related to the compensation of employees. In the GFS system, *non-employee expenses* (ETF 123) are further classified as:

- Production tax expenses (ETF 1231, COFOG-A, SDC);
- Social benefits to households in goods and services (ETF 1232, COFOG-A, SDC);
- Use of goods and services (ETF 1233, COFOG-A, SDC); and
- Other non-employee expenses not elsewhere classified (ETF 1239, COFOG-A, SDC).

Production tax expenses (ETF 1231, COFOG-A, SDC, TC)

7.29 *Production tax expenses* (ETF 1231, COFOG-A, SDC) record all taxes on production, known as indirect taxes. Taxes on production exclude taxes on products, and are imposed on a producer as a result of the unit engaging in the production of goods and services. Production taxes are payable irrespective of the profitability of the production process. They may be payable on labour, non-financial produced assets and land used in the production process.

Social benefits to households in goods and services (ETF 1232, COFOG-A, SDC)

7.30 *Social benefits to households in goods and services* (ETF 1232, COFOG-A, SDC) record the expenditure by government units on goods and services produced by market producers that are provided directly to households as social transfers in kind. This item includes medical and pharmaceutical benefits, telephone rental concessions, concessional railway fares, rental subsidies, reduced utility charges, etc. In the national accounts, this item is included in the measure of final consumption expenditure by government but not in actual government consumption. The difference between government transfer payments and the purchase of goods and social benefits to households in goods and services is discussed in Chapter 13 Part O of this manual.

Use of goods and services (ETF 1233, COFOG-A, SDC)

7.31 *Use of goods and services* (ETF 1233, COFOG-A, SDC) record the value of goods and services used for the production of market and non-market goods and services. These consist of the cost of inexpensive durable goods (such as small / hand tools) when purchased regularly, and are small in value when compared with the costs incurred for the acquisition of machinery and equipment; amounts payable to labour hire agencies, contractors, self-employed outworkers, and other workers who are not employees of general government or public sector units; and the cost of goods and services used by a donor government unit to produce non-market goods and services consumed by other governments and international organisations. The boundary between use of goods and services and transfers, employee expenses, and the acquisition of non-financial assets are discussed in Chapter 13 Part P, Part Q, and Part R of this manual.

7.32 In the GFS system, the value of use of goods or services is recorded on a gross basis when the goods or services are actually used, rather than when they were acquired or paid for. Paragraph 6.28 of the IMF GFSM 2014 states that in practice, these events often coincide for inputs of services but not for goods, which may be acquired some time in advance of their use. The value of goods purchased and held for resale is recorded as use of goods and services when they are sold. Paragraph 6.30 of the IMF GFSM 2014 states that any fees or charges collected for goods and services provided by general government units should be shown as revenue rather than deducted from expense.

7.33 Included in the concept of *use of goods and services* (ETF 1233, COFOG-A, SDC) are:

- Cost of medical or dental treatments for households, surgery, hospital accommodation, and home care;
- Value of goods purchased and held for resale when they are sold;
- Amounts payable to labour hire agencies, contractors, self-employed out-workers and other workers who are not employees of general government or public sector units;
- Goods and services used by employees where such use is mandatory in order to enable employees to carry out their work whether purchased by the employer or purchased by employees who are then subsequently reimbursed by the employer;

- Tools or equipment used exclusively, or mainly, at work whether purchased by the employer or purchased by employees who are then subsequently reimbursed by the employer;
- Clothing or footwear of a kind that ordinary consumers do not choose to purchase or wear and which are worn exclusively, or mainly, at work such as protective clothing, overalls or uniforms whether purchased by the employer or purchased by employees who are then subsequently reimbursed by the employer;
- Accommodation services at the place of work of a kind that cannot be used by the households to which the employees belong such as barracks, cabins, dormitories and huts;
- Special meals or drinks necessitated by exceptional working conditions while travelling for business reasons, or meals or drinks provided to employees while on active duty whether purchased by the employer or purchased by employees who are then subsequently reimbursed by the employer;
- First aid facilities, medical examinations or other health checks required because of the nature of the work;
- Travel, relocation or related expenses when employees take up new jobs or are required by their employers to move their homes to different parts of the country or to another country whether purchased by the employer or purchased by employees who are then subsequently reimbursed by the employer;
- Goods and services acquired so that government employees can conduct relief operations in a foreign country after a natural disaster;
- Membership dues and subscription fees if there is an exchange of a payment for some form of a service such as payments by public corporations of membership dues or subscriptions to market non-profit institutions serving businesses such as chambers of commerce or trade associations;
- Goods and services consumed for the ordinary maintenance and repair of non-financial produced assets;
- Expenditure on military goods such as single-use weapons and spare parts once they have been used;
- Goods and services used in research and development where it is clear that the activity does not create any future economic benefit for the owner;
- Materials to produce coins or notes of the national currency or amounts payable to contractors to produce the currency;
- Payments by the lessee for rental of a non-financial produced asset under an operating lease; and
- Explicit fees for financial services. Note that implicit fees for financial services (known in macroeconomic statistics as financial intermediary services indirectly measured or FISIM) remain included in interest expenses for GFS purposes.

7.34 Excluded from the concept of *use of goods and services* (ETF 1233, COFOG-A, SDC) are depreciation (classified to ETF 124, NFAC, COFOG-A) and goods and services used in own-account capital formation. These are recorded as transactions in *own-account capital formation* (ETF 4113, NFAC, COFOG-A, SDC) as part of acquisitions of non-financial assets, with a further break down classified to *own-account use of goods and services* (ETF 7631, NFAC, COFOG-A) as part of the supplementary information. For further information, see Appendix 1 Part B of this manual.

Non-employee expenses not elsewhere classified (ETF 1239, COFOG-A, SDC)

7.35 *Non-employee expenses not elsewhere classified* (ETF 1239, COFOG-A, SDC) consists of non-employee expenses that cannot be classified to *production tax expenses* (ETF 1231, COFOG-A, SDC, TC), *social benefits to households in goods and services* (ETF 1232, COFOG-A, SDC), or *use of goods and services* (ETF 1233, COFOG-A, SDC).

Depreciation (ETF 124)

7.36 *Depreciation* (ETF 124) is the term used to describe the decline in the current value of the stock of produced assets owned by public sector units over their useful life, due to physical deterioration, normal obsolescence, or accidental damage. Depreciation records the value of accounting processes by which the cost of assets are written off over time, and relates to non-financial, tangible produced assets. The IMF GFSM 2014 and the 2008 SNA use the concept of consumption of fixed capital rather than depreciation. Depreciation may deviate considerably from consumption of fixed capital because under general accounting principles, depreciation is calculated using a mixture of valuations (including the current replacement cost of non-financial produced assets), whereas consumption of fixed capital is calculated using the current market value of assets only. Although it is standard practice to value all aspects of assets and liabilities at the current market value in Australian GFS, depreciation (as recorded in the financial records of public sector units) is used to record the decline in the current value of the stock of produced assets, in agreement with providers of Australian GFS data. The use of depreciation in the Australian GFS instead of consumption of fixed capital has no impact on GFS net lending (+) / net borrowing (-). In the GFS system, *depreciation* (ETF 124) is further classified as:

- *Depreciation of fixed assets (non-defence)* (ETF 1241, NFAC, COFOG-A); and
- *Depreciation of fixed assets (defence)* (ETF 1242, NFAC, COFOG-A).

Depreciation of fixed assets (non-defence) (ETF 1241, NFAC, COFOG-A)

7.37 *Depreciation of fixed assets (non-defence)* (ETF 1241, NFAC, COFOG-A) records amounts charged to current operations in respect of the depreciation (or consumption) of non-current tangible assets not related to defence weapons platforms.

Depreciation of fixed assets (defence) (ETF 1242, NFAC, COFOG-A)

7.38 *Depreciation of fixed assets (defence)* (ETF 1242, NFAC, COFOG-A) records amounts charged to current operations in respect of the depreciation (or consumption) of non-current tangible assets related to defence weapons platforms.

Current transfer expenses (ETF 125)

7.39 *Current transfer expenses* (ETF 125) records the cost of regular payments that are current in nature, and where no economic benefits are received in return for payment. In the GFS system, *current transfer expenses* (ETF 125) are further classified as:

- *Current grant expenses* (ETF 1251, COFOG-A, SDC);
- *Subsidies on products* (ETF 1252, COFOG-A, SDC);
- *Other subsidies on production* (ETF 1253, COFOG-A, SDC);
- *Current monetary transfers to households* (ETF 1254, COFOG-A, SDC);
- *Tax expenses* (ETF 1255, COFOG-A, SDC, TC);
- *Premiums, fees and current claims related to non-life insurance and standardised guarantee schemes* (ETF 1256, COFOG-A, SDC); and
- *Other current transfer expenses not elsewhere classified* (ETF 1259, COFOG-A, SDC).

Current grant expenses (ETF 1251, COFOG-A, SDC)

7.40 *Current grant expenses* (ETF 1251, COFOG-A, SDC) record the cost of voluntary unrequited transfers intended to finance the current activities of the recipient. The time at which a grant is recorded is when all requirements and conditions for receiving it are satisfied, and the donor unit has an unconditional obligation to provide the grant to the recipient. This classification category includes grants for current purposes to private non-profit organisations serving households, grants made to foreign governments and organisations including grants made for aid projects, and current grants from one level of government to another (e.g. Commonwealth to state) and between units within the same level of government (e.g. budget sector to non-budget sector).

7.41 Grants are normally payable in cash, but may also take the form of provision of goods or services (in kind). Grants in kind should be valued at current market prices. If market prices are not available, then the value should be the explicit costs incurred in providing the resources or the amounts that would be received if the resources were sold.

Subsidies on products (ETF 1252, COFOG-A, SDC)

7.42 Subsidies are defined as current, unrequited payments that government units make to enterprises such as public corporations, private enterprises, or other sectors on the basis of the level of their production activities or the quantities or values of the goods or services they produce, sell, export, or import. Paragraph 6.84 of the IMF GFSM 2014 states that in GFS, subsidies are payable to producers only (not to final consumers), and are current transfers only. Subsidy expenses are further identified as either subsidies on products or other subsidies on production.

7.43 *Subsidies on products* (ETF 1252, COFOG-A, SDC) are paid by general government units to producers per unit of a good or service. Subsidies on products usually become payable to producer units when a good or service is produced, sold, exported, or imported, but it may also be payable in other circumstances, such as when a good is transferred, leased, delivered, or used for own consumption or own-account capital formation. Subsidies on products include:

- Direct foreign trade subsidies, such as subsidies on imported or exported goods and services that become payable when the goods cross the frontier of the economic territory or when the services are delivered to resident institutional units (import subsidies) or to non-resident units (export subsidies);
- Subsidies payable to resident producers in respect of their production that is used or consumed within the economic territory;
- Regular transfers paid to public corporations and quasi-corporations that are intended to compensate for persistent losses (that is, negative operating surpluses) incurred on their productive activities as a result of charging prices that are lower than their average costs of production as a matter of deliberate government economic and social policy; and
- Subsidies resulting from the central bank accepting interest rates lower than prevailing market rates.

Other subsidies on production (ETF 1253, COFOG-A, SDC)

7.44 *Other subsidies on production* (ETF 1253, COFOG-A, SDC) record subsidies that producer units receive as a consequence of engaging in production, but are not related to specific products. Paragraph 6.90 of the IMF GFSM 2014 includes the following as other subsidies on production:

- Subsidies on payroll or workforce, which are payable on the total wage or salary bill, the size of the total workforce, or the employment of particular types of persons such as physically handicapped persons or persons who have been unemployed for long periods. The subsidies may also be intended to cover some or all of the costs of training schemes organised or financed by enterprises; and
- Subsidies to reduce pollution, which are transfers intended to cover some or all of the costs of additional processing undertaken to reduce or eliminate the discharge of pollutants into the environment.

Current monetary transfers to households (ETF 1254, COFOG-A, SDC)

7.45 *Current monetary transfers to households* (ETF 1254, COFOG-A, SDC) record the cost of social benefits in cash to Australian residents. Current monetary transfers to households record payments by government to individuals or households, who are not required to provide any significant amount of goods or services in return (e.g. old age pensions and unemployment benefits). 'Work for the dole' schemes are included in the concept of *current monetary transfers to households* (ETF 1254, COFOG-A, SDC), as the main purpose of such schemes is the transfer of monetary benefits and acquisition of employment skills. Also included in this category are personal benefit payments to Australian citizens resident overseas.

Tax expenses (ETF 1255, COFOG-A, SDC, TC)

7.46 *Tax expenses* (ETF 1255, COFOG-A, SDC, TC) record the value of direct tax expenses (e.g. the taxes on income) of public sector units. These differ to production tax expenses which are taxes levied on the production of goods and services. Tax expenses may be reflected in the financial accounts as transfers to provisions. Tax expenses also include all tax expenses of general government units such as state / territory government payroll taxes. This item excludes the indirect tax expenses of public enterprises that should be recorded as *production tax expenses* (ETF 1231, COFOG-A, SDC, TC).

Premiums, fees and current claims related to non-life insurance and standardised guarantees (ETF 1256, COFOG-A, SDC)

7.47 *Premiums, fees and current claims related to non-life insurance and standardised guarantees* (ETF 1256, COFOG-A, SDC) record the value of expenses payable in respect of premiums, fees, and current claims related to non-life insurance and standardised guarantees. Paragraph 6.125 of the IMF GFSM 2014 states that this category includes non-life insurance premiums payable to insurance schemes / corporations to secure entitlement to insurance against risks, current claims payable by insurance schemes to beneficiaries, as well as fees payable to obtain standardised guarantees. Also included are non-life insurance premiums and fees for standardised guarantees payable to insurance schemes and corporations to obtain cover against various events or accidents and non-life insurance claims payable by insurance schemes operated by a general government unit or public insurance corporation in settlement of claims that become due during the current reporting period. Claims become due when the eventuality occurs that gives rise to a valid claim, whether or not paid, settled, or reported during the reporting period.

Other current transfer expenses not elsewhere classified (ETF 1259, COFOG-A, SDC)

7.48 *Other current transfer expenses not elsewhere classified* (ETF 1259, COFOG-A, SDC) record the value of transfer expenses other than *current grant expenses* (ETF 1251, COFOG-A, SDC); *subsidies on products* (ETF 1252, COFOG-A, SDC); *other subsidies on production* (ETF 1253, COFOG-A, SDC); *current monetary transfers to households* (ETF 1254, COFOG-A, SDC); *tax expenses* (ETF 1255, COFOG-A, SDC, TC); or *premiums, fees and current claims related to non-life insurance and standardised guarantee schemes* (ETF 1256, COFOG-A, SDC). Included are gifts and transfers of a current nature (other than current grant expenses, subsidies on products, or other subsidies on production). These transfer expenses may be in cash or in kind, e.g. contributions of food, blankets, and medical supplies for relief purposes.

Capital transfer expenses (ETF 126)

7.49 *Capital transfer expenses* (ETF 126) record the cost of voluntary unrequited transfers intended to finance the capital activities of the recipient. In the GFS system, *capital transfer expenses* (ETF 126) are further classified as:

- Capital grant expenses (ETF 1261, COFOG-A, SDC);
- Assets donated (ETF 1262, COFOG-A, NFAC, SDC);
- Capital claims related to non-life insurance and standardised guarantee schemes (ETF 1263, COFOG-A, SDC); and
- Other capital transfer expenses not elsewhere classified (ETF 1269, COFOG-A, SDC).

Capital grant expenses (ETF 1261, COFOG-A, SDC)

7.50 *Capital grant expenses* (ETF 1261, COFOG-A, SDC) record the cost of unrequited payments by government to finance the acquisition of non-financial assets by the recipient, or compensate the recipient for damage or destruction of non-financial assets, or increase the financial capital of the recipient. Capital grants include transfers of assets (other than inventories and cash), and the cancellation of a liability by mutual agreement between a creditor and debtor. This classification category includes grants for capital purposes to private non-profit organisations serving households, to foreign governments and organisations including grants made for aid projects, and capital grants from one level of government to another (e.g. Commonwealth to state) and between units within the same level of government (e.g. budget sector to non-budget sector). This classification category further includes capital transfers paid to public non-financial corporations, public financial corporations, other entities such as non-profit institutions operating on a non-market basis; and the value of assets donated to public non-financial corporations, public financial corporations, and other entities.

Assets donated (ETF 1262, COFOG-A, NFAC, SDC)

7.51 *Assets donated* (ETF 1262, COFOG-A, NFAC, SDC) record the value of assets that are donated by government. Assets may be donated for a variety of reasons (including cultural reasons or other such reasons) and are included in the GFS system by imputation of equivalent transactions when they are of an economic nature, and where valuations are realistically obtainable.

Capital claims related to non-life insurance and standardised guarantee schemes (ETF 1263, COFOG-A, SDC)

7.52 *Capital claims related to non-life insurance and standardised guarantee schemes* (ETF 1263, COFOG-A, SDC) record the value of exceptionally large insurance settlements payable in the wake of a catastrophic event or disaster. Paragraph 6.125 of the IMF GFSM 2014 indicates that for these exceptionally large claims payable (such as those following a catastrophe), some part of the claims may be recorded as capital transfers rather than as current transfers. It may be difficult for the parties to identify these events consistently, so as a simplifying convention, all non-life insurance claims are classified as current transfers unless it is necessary to record a capital transfer according to the nature of the claim.

Other capital transfer expenses not elsewhere classified (ETF 1269, COFOG-A, SDC)

7.53 *Other capital transfer expenses not elsewhere classified* (ETF 1269, COFOG-A, SDC) record the value of transfer expenses other than *capital grant expenses* (ETF 1261, COFOG-A, SDC); *assets donated* (ETF 1262, COFOG-A, SDC), and *capital claims related to non-life insurance and standardised guarantee schemes* (ETF 1263, COFOG-A, SDC).

Interest expenses (ETF 127)

7.54 *Interest expenses* (ETF 127) record the value of interest payable by government during the reporting period. In the GFS system, *interest expenses* (ETF 127) are further classified as:

- Accrued interest on defined benefit superannuation (ETF 1271, COFOG-A, SDC); and
- Other interest expense not elsewhere classified (ETF 1279, COFOG-A, SDC).

7.55 Interest is defined as a form of investment income that is receivable by the owners of certain kinds of financial assets (such as SDRs, deposits, debt securities, loans, and other accounts receivable) for putting these financial (and other) resources at the disposal of another institutional unit. Paragraph 6.63 of the IMF GFSM 2014 defines interest expenses as the value of interest that is payable by units that incur liabilities by borrowing funds from another unit. Interest is the expense that the debtor unit incurs for the use of the principal outstanding which represents the economic value that has been provided by the creditor.

7.56 In GFS, interest is recorded as accruing continuously over time to the creditor on the amount outstanding. Paragraph 6.64 of the IMF GFSM 2014 states that depending on the contractual arrangements, the rate at which interest accrues can be a percentage of the amount outstanding, a predetermined sum of money, a variable sum of money dependent on a defined indicator, or some combination of these. Interest normally is not payable until the expense has accrued. That is, if interest on a loan is payable monthly, the amount paid is usually the expense that has accrued during the previous month. Under the accrual basis of recording, as interest accrues the debtor’s total liability to the creditor has increased by the amount of interest expense accrued but not yet paid. What are commonly referred to as interest payments, are reductions of the debtor’s existing liability, part of which was created by the accrued interest expense.

7.57 In Australian GFS, interest expenses are valued using the creditor approach. The creditor approach assumes that the future interest expense of financial assets is recalculated each time there is a change in the market interest rate. An increase in the interest rate leads to a decrease in the market value of the instrument and a holding gain for the debtor. At this point, a financial instrument is treated as a new instrument that was issued at a discount. If there are no further changes in the interest rate, then the gradual increases in the market value of the instrument over the remaining period will be treated as interest expense.

7.58 In Australian GFS, interest expenses also include financial intermediation services indirectly measured (FISIM). FISIM represents an implicit service charge contained within the interest rates set by financial intermediaries for depositors and borrowers, to defray the costs of providing its services to its depositors and borrowers without explicit fees. FISIM is measured as the difference between the interest rates on loans and deposits and a pure or reference rate of interest, multiplied by the level of loans and deposits, respectively. FISIM is indirectly formulated by the ABS, and is deducted from the value of the GFS measure of interest expenses for national accounting purposes.

Accrued interest on defined benefit superannuation (ETF 1271, COFOG-A, SDC)

7.59 *Accrued interest on defined benefit superannuation* (ETF 1271, COFOG-A, SDC) records the value of interest accrued during the period on defined benefit superannuation liabilities. Superannuation expenses in a period represent the increase in superannuation liability due to services provided by employees in that period. The liability so generated by the employer (the government in this case), is therefore an asset attributed to the household sector (the employees). The government is viewed as compulsorily 'borrowing' from employees the value of the increase in superannuation liability each period. In doing so, it sustains an additional cost for the use of these 'borrowed' funds which is an interest expense. The cost of these 'borrowed' funds is included here as interest. This classification category also records the value of accrued interest flows when the funded defined benefit superannuation fund is under-funded, that is, the superannuation entitlements exceed the financial assets held by the superannuation fund, leading to a claim of the superannuation fund on the employer. In this case, the accounts should record an accrued interest flow from the employer to the superannuation fund equal to the discount rate that is used in calculating the superannuation entitlements times the claim of the superannuation fund on the employer.

Other interest expenses not elsewhere classified (ETF 1279, COFOG-A, SDC)

7.60 *Other interest expenses not elsewhere classified* (ETF 1279, COFOG-A, SDC) record the value of requited transfer payments for the use of money. This item includes interest on advances, loans, overdrafts, bonds and bills, deposits and the interest component of finance lease repayments. This item is also inclusive of financial intermediation services indirectly measured (FISIM) which is derived by the ABS for national accounting purposes. For further information on FISIM, see paragraph 7.58 of this manual.

Other property expenses (ETF 128)

7.61 *Other property expenses* (ETF 128) record the value of expenses payable to the owners of financial assets or natural resources when they put them at the disposal of other institutional units. In the GFS system, *other property expenses* (ETF 128) are further classified as:

- *Income transferred by public enterprises* (ETF 1281, COFOG-A, SDC);
- *Withdrawal from income of quasi-corporations* (ETF 1282, COFOG-A, SDC);
- *Land rent and royalty expenses* (ETF 1283, COFOG-A, SDC);
- *Dividends to shareholders* (ETF 1284, COFOG-A, SDC);
- *Reinvested earnings on foreign direct investment* (ETF 1285, COFOG-A, SDC);
- *Property expenses for investment income disbursement* (ETF 1286, COFOG-A, SDC); and
- *Other property expenses not elsewhere classified* (ETF 1289, COFOG-A, SDC).

Income transferred by public corporations as dividends (ETF 1281, COFOG-A, SDC)

7.62 *Income transferred by public corporations as dividends* (ETF 1281, COFOG-A, SDC) record the value of that part of the income of public enterprises that is transferred to their parent bodies as dividends, income tax equivalents, and wholesale sales tax equivalents. This item includes dividends paid to parent governments or parent public enterprises, but excludes other dividends paid to private sector shareholders recorded as *dividends to shareholders* (ETF 1284, COFOG-A, SDC). This item excludes transfers as income tax and other forms of taxation.

Withdrawal from income of quasi-corporations (ETF 1282, COFOG-A, SDC)

7.63 Withdrawals of income from quasi-corporations (ETF 1282, COFOG-A, SDC) record the value of that part of distributable income that the owner withdraws from an entity. Excluded from this concept are withdrawals of funds realised from the sale or other disposal of the quasi-corporation's assets such as inventories, non-financial produced assets, land or other non-produced assets (classified as *transactions in financial assets (net)* (ETF 3111, FALC 124, SDC)); and withdrawals of funds realised from the liquidation of large amounts of accumulated retained earnings or other reserves (classified as *transactions in financial assets (net)* (ETF 3111, FALC 124, SDC)).

Land rent and royalty expenses (ETF 1283, COFOG-A, SDC)

7.64 *Land rent and royalty expenses* (ETF 1283, COFOG-A, SDC) record the value of rent for the use of non-produced assets such as land and subsoil assets. Land rent and royalty expenses include royalty payments for the right to exploit natural resources. This item excludes rentals on produced assets such as for the use of buildings or the right to use copyrights, patents, trademarks, etc. recorded under *use of goods and services* (ETF 1233, COFOG-A, SDC).

7.65 Rent is defined in paragraph 5.122 of the IMF GFSM 2014 as the expense payable to the owners of a natural resource (the lessor or landlord) for putting the natural resource at the disposal of another institutional unit (lessee or tenant) for use of the natural resource in production. Rent is payable on land, and on subsoil resources and other natural resources as royalty expenses. Rent accrues continuously to the asset's owner throughout the period of the contract. The rent recorded for a particular reporting period is, therefore, equal to the value of the accumulated rent that becomes payable over the reporting period and may differ from the amount of rent that becomes due for payment or is actually paid during the period.

7.66 Paragraph 5.131 of the IMF GFSM 2014 indicates that rent may be payable in cash or in kind, and the term 'rent' should not be confused with the term 'rental' which is payment for the use of produced assets, such as a government's use of a building as a tenant. Paragraph 5.132 of the IMF GFSM 2014 states that in some circumstances, a single payment may cover both rent and rentals. If there is no objective basis on which to split the payment between rent on land and rental on the buildings, it is recommended to treat the whole amount as rent when the value of the land is believed to exceed the value of the buildings and land, and as a rental otherwise.

7.67 Rent may be payable by general government units or public corporations to the owners of subsoil assets, permitting them to extract such deposits over a specified period of time. While payments for test drilling are included in rent, the actual outlays on drilling and other exploration are treated as the acquisition of a non-financial asset. Other types of rent include payments for the right to cut timber on non-cultivated land, to exploit bodies of unmanaged water for recreational or commercial purposes (including fishing).

Dividends to shareholders (ETF 1284, COFOG-A, SDC)

7.68 *Dividends to shareholders* (ETF 1284, COFOG-A, SDC) record the value of dividends to private sector shareholders who are minority owners of public enterprises. This item excludes dividends paid to parent government which are treated as *income transferred by public corporations as dividends* (ETF 1281, COFOG-A, SDC).

7.69 Dividends are defined as a form of investment income to which shareholders and owners of corporations become entitled as a result of placing funds at the disposal of a corporation. Paragraph 6.109 of the IMF GFSM 2014 notes that public corporations obtain equity funds from general government units, other public corporations (and possibly other units), and they may pay dividends to those units. Dividend payments are usually not required; the board of directors or other managers of the corporation must declare a dividend payable on their own volition. Distributions of profits by public corporations may take place irregularly and may not be explicitly labelled as dividends. Nevertheless, dividends include all distributions of profits by public corporations to their shareholders or owners. The time of recording of dividends is the point at which the share price starts to be quoted on an ex-dividend basis rather than at a price that includes the dividend.

7.70 Paragraph 6.110 of the IMF GFSM 2014 draws specific attention to circumstances when dividends are disproportionately large relative to the recent level of dividends and earnings. Such disproportionately large withdrawals (often referred to as super-dividends), are often based on accumulated reserves, privatisation receipts and other sales of assets, or holding gains. Any dividends declared greatly in excess of the recent level of dividends and earnings should be treated as a financial transaction, specifically, the withdrawal of owners' equity from the corporation.

Reinvested earnings on foreign direct investment (ETF 1285, COFOG-A, SDC)

7.71 *Reinvested earnings on foreign direct investment* (ETF 1285, COFOG-A, SDC) record the value of expenses relating to reinvested earnings on foreign direct investments. Paragraph 6.121 of the IMF GFSM 2014 states that public corporations may have non-resident direct investors, and distributions to such investors are made in the form of dividends or withdrawals of income from quasi-corporations. However, macroeconomic statistics also require the retained earnings of a foreign direct investment enterprise to be recorded as if they were distributed and remitted to foreign direct investors in proportion to their ownership of the equity in the enterprise, and then reinvested by them by means of additions to equity. This treatment assumes that the decision to retain some earnings within the enterprise represents a deliberate investment decision on the part of the foreign direct investor.

Property expenses for investment income disbursement (ETF 1286, COFOG-A, SDC)

7.72 *Property expenses for investment income disbursement* (ETF 1286, COFOG-A, SDC) record the value of property expenses attributed to insurance policyholders and holders of investment fund shares. Paragraph 6.113 of the IMF GFSM 2014 states that public corporations may take the form of insurance enterprises which hold technical reserves in the form of reserves against outstanding risks in respect of non-life and life insurance policies, as well as reserves to provide for the entitlement of benefits for policyholders and calls under standardised guarantee schemes. The reserves are liabilities toward the policyholders or beneficiaries. Any income receivable from the investment of the corresponding assets should be attributed as the property income of the policyholders or beneficiaries and therefore a property expense is recorded to reflect the increase in liabilities.

7.73 Paragraph 6.114 of the IMF GFSM 2014 states that if general government units operate an insurance scheme and they maintain separate reserves, the property expense attributed to insurance policyholders are recorded in the same manner as for a public corporation. If the general government unit does not maintain separate reserves, then no investment income is generated and so no property expense is attributed to the policyholders.

7.74 Paragraph 6.115 of the IMF GFSM 2014 indicates that for government units operating a standardised guarantee scheme against fees, there may also be investment income earned on the reserves of the scheme and this should be shown as a property expense being distributed to the units paying the fees (which may not be the same units that stand to benefit from the guarantees).

Other property expenses not elsewhere classified (ETF 1289, COFOG-A, SDC)

7.75 *Other property expenses not elsewhere classified* (ETF 1289, COFOG-A, SDC) record the value of property expenses other than those classified to *income transferred by public corporations as dividends* (ETF 1281, COFOG-A, SDC); *withdrawal from income of quasi-corporations* (ETF 1282, COFOG-A, SDC); *land rent and royalty expenses* (ETF 1283, COFOG-A, SDC); *dividends to shareholders* (ETF 1284, COFOG-A, SDC); *reinvested earnings on foreign direct investment* (ETF 1285, COFOG-A, SDC); *and property expenses for investment income disbursement* (ETF 1286, COFOG-A, SDC).

CHAPTER 8 - THE BALANCE SHEET

PART A - INTRODUCTION

8.1 The GFS balance sheet is a financial statement that documents an institutional unit's financial position at a specific point in time. The balance sheet is compiled at the end of each accounting period and contains information on the values of assets and liabilities and net worth. A balance sheet can be compiled for an individual unit or any collection of units (such as the general government sector or total public sector), and enables analysts to monitor and assess the economic behaviour of public sector units or collections of units.

8.2 This chapter describes the elements that comprise the GFS balance sheet, including the definition, valuation, and classification of assets and liabilities, and net worth.

PART B - DEFINITION OF ASSETS

8.3 In GFS, assets are defined as instruments or entities over which ownership rights must be able to be enforced, and from which economic benefits may be derived by holding them, or using them, over a period of time. In GFS, only two types of ownership of assets are recognised, legal ownership and economic ownership. Paragraph 7.5 of the IMF GFSM 2014 states:

- The legal owner of resources (such as goods and services, natural resources, financial assets, and liabilities), is the institutional unit entitled in law and sustainable under the law, to claim the benefits associated with the resources. Only if such resources have a legal owner (either on an individual or collective basis), are they recognised in macroeconomic statistics.
- The economic owner of resources (such as goods and services, natural resources, financial assets, and liabilities) is the institutional unit entitled to claim the benefits associated with the use of the resource by virtue of accepting the associated risks. Examples of where the economic owner is different to the legal owner of resources include financial lease arrangements (where the lessee is the economic owner but not the legal owner for the life of the lease).

Economic assets

8.4 Only economic assets are included within the asset boundary in the GFS framework, and they appear in the balance sheet of the unit that is the economic owner of the asset. Paragraph 7.6 of the IMF GFSM 2014 defines economic assets as:

(i) Resources over which economic ownership rights are enforced by institutional units, individually or collectively; and
(ii) From which economic benefits may be derived by their owners by holding them or using them over a period of time.

8.5 In the GFS framework, economic assets provide benefits by functioning as a store of value. Paragraph 7.7 of the IMF GFSM 2014 indicates that some benefits are derived by using assets (such as buildings or machinery) in the production of goods and services; and some benefits consist of income from property (such as interest, dividends, and rents received by the owners of financial assets, land, and certain other assets).

8.6 In GFS, resources are not considered to be economic assets if ownership rights over them have not been established, or are not (or cannot be) enforced. Paragraph 7.10 of the IMF GFSM 2014 states that in some cases, ownership rights may be established but it may not be feasible to enforce them. An example of this is for land that is so remote or inaccessible that the government cannot exercise effective control over it. In such cases, it is a matter of judgment as to whether the degree of control exercised by the government is sufficient for the land to be classified as an economic asset. Even if ownership rights can be enforced, if the assets are not capable of bringing economic benefits to their owners, then they should be excluded from GFS.

8.7 In some cases, governments can create economic assets by exercising the powers delegated to them. An example given in paragraph 7.12 of the IMF GFSM 2014 is where a government uses its authority to assert ownership rights over naturally occurring assets that otherwise would not be subject to ownership (such as the electromagnetic spectrum), or natural resources in international waters subject to designation as an exclusive economic zone. These assets are classified as economic assets only if the government uses its authority to establish and enforce ownership rights over them.

Types of assets owned by government

8.8 Governments use assets to produce goods and services (albeit primarily as non-market producers), much like corporations do. An example given in paragraph 7.11 of the IMF GFSM 2014 is that of government office buildings (together with the services of government employees, office equipment, and other goods and services) that are used to produce collective or individual services, such as general administrative services. Governments often own assets whose services are consumed directly by the general public, and assets that require preservation because of their historic or cultural importance. Thus, when the asset boundary is applied to the general government sector, it often incorporates a wider range of assets than is normally owned by a private organisation. Government units frequently own:

- General-purpose assets - assets that other units would be likely to possess and use in similar ways, such as schools, road-building equipment, fire engines, office buildings, furniture, and computers;
- Infrastructure assets - immovable non-financial assets that generally do not have alternative uses and whose benefits accrue to the community at large. Examples are streets, highways, lighting systems, bridges, communication networks, and canals; and
- Heritage assets - assets that a government intends to preserve indefinitely because they have unique historic, cultural, educational, artistic, or architectural significance.

8.9 In the GFS framework, assets are identified as either financial assets or non-financial assets, rather than current and non-current as is the case in commercial accounting.

Financial assets

8.10 Financial assets are assets that are in the form of financial claims on other economic units. They are the counterparts of liabilities of the units on which the claims are held (with the exception of monetary gold in the form of gold bullion held as reserve assets). All other assets in GFS are described as non-financial assets. Financial assets are further discussed in paragraphs 8.56 to 8.109 of this manual.

Non-financial assets

8.11 Non-financial assets are stores of value which provide benefits to owners either through their use in the production of goods and services, or in the form of property income. Non-financial assets are all economic assets other than financial assets. Paragraph 7.17 of the IMF GFSM 2014 states that unlike financial assets, non-financial assets have no counterpart liability (that is, the owner of the non-financial asset does not have a claim on another institutional unit). Non-financial assets come into existence as outputs from a production process, or in ways other than through processes of production, such as through natural occurrences. The production of non-financial assets may occur over two or more accounting periods depending on the type of non-financial asset. The recording of non-financial assets over two or more accounting periods is further discussed in Chapter 13 Part S.

8.12 In GFS, non-financial assets are described as non-financial produced assets, and non-financial non-produced assets.

Non-financial produced assets

8.13 In GFS, non-financial produced assets are described as fixed assets, inventories, or valuables.

Fixed assets

8.14 Fixed assets are those types of non-financial produced assets that are used repeatedly or continuously in production processes for more than one year. The key feature of fixed assets are that they are used repeatedly or continuously in production over a long period of time, rather than the physical durability of the asset itself. Some goods may be used repeatedly or continuously in production over many years but may be small, inexpensive, and used to perform relatively simple operations. Small hand tools such as saws, spades, knives, axes, hammers, screwdrivers, and spanners or wrenches are excluded from the non-financial produced asset boundary. If the expense on such tools takes place at a fairly steady rate and if their value is small compared with amounts payable on more complex machinery and equipment, the tools are treated as *use of goods and services* (ETF 1233). Non-financial produced assets are further discussed in paragraphs 8.111 to 8.173 of this manual.

Inventories

8.15 Inventories are defined in paragraph 7.18 of the IMF GFSM 2014 as non-financial produced assets consisting of goods and services, which came into existence in the current period or in an earlier period, and that are held for sale, use in production, or other use at a later date. Paragraph 7.76 of the IMF GFSM states that the concept of inventories consist of stocks of:

- Goods that are still held by the units that produced them prior to their being further processed, sold, delivered to other units, or used in other ways;
- Products acquired from other units for use in the production of market and non-market goods and services by units, or for resale without further processing;
- Strategic stocks that are goods held for strategic and emergency purposes, goods held by market regulatory organisations, and other goods of special importance to the nation, such as grain, military inventories, and petroleum; and
- Services such as architectural drawings in the process of completion.

8.16 In GFS, inventories include materials and supplies, work in progress, finished goods, goods for resale and military inventories. It is important to note that military inventories are separately identified in Australian GFS. Inventories are further discussed in paragraphs 8.153 to 8.168 of this manual.

Valuables

8.17 Valuables are defined in paragraph 7.18 of the IMF GFSM 2014 as non-financial produced assets of considerable value that are not used for the purpose of production or consumption, but are held primarily as stores of value over time. Paragraph 7.88 of the IMF GFSM 2014 notes that the concept of valuables includes:

- Non-monetary gold and other precious stones and metals that are not intended to be used as materials and supplies in the processes of production;
- Paintings, sculptures, and other objects recognised as works of art, or antiques held primarily as stores of value over time; and
- Jewellery of significant value fashioned out of precious stones and metals, collections, and miscellaneous other valuables.

8.18 Valuables are further discussed in paragraphs 8.169 to 8.171 of this manual.

Non-financial non-produced assets

8.19 Non-financial non-produced assets are defined in paragraph 7.19 of the IMF GFSM 2014 as naturally occurring assets and constructs of society. Naturally occurring assets include tangible non-financial non-produced assets such as land, mineral and energy resources, non-cultivated biological resources and water resources. Naturally occurring assets also include intangible non-produced assets such as the electromagnetic spectrum. In GFS, non-financial non-produced assets include tangible and intangible non-produced assets.

Tangible non-produced assets

8.20 Tangible non-produced assets are assets that occur in nature and over which ownership may be acquired and transferred. Examples include assets such as land, mineral and energy resources, non-cultivated biological assets, water resources, radio spectra, and other types of natural resources. Tangible non-produced assets are further discussed in paragraphs 8.174 to 8.189 of this manual.

Intangible non-produced assets

8.21 Intangible non-produced assets are defined in paragraph 7.104 of the IMF GFSM 2014 as constructs of society as evidenced by legal or accounting actions. In GFS, these include assets such as marketable operating leases, permits to use natural resources, permits to undertake specific activities, entitlement to future goods and services on an exclusive basis, goodwill and marketing assets and other intangible assets. Intangible non-produced assets are further discussed in paragraphs 8.190 to 8.200 of this manual.

PART C - LIABILITIES

8.22 Liabilities are defined in paragraph 7.15 of the IMF GFSM 2014 as established when one unit (the debtor) is obliged, under specific circumstances, to provide funds or other resources to another unit (the creditor). Liabilities are the counterparts of financial assets held by the claimant economic units (other than monetary gold in the form of gold bullion held as reserve assets). In the GFS framework, all liabilities are considered to be financial in nature, and no distinction is made between financial and non-financial as it is for assets.

Types of liabilities included on the GFS balance sheet

8.23 Only actual (outstanding) liabilities and their corresponding assets are included in the GFS balance sheet. Contingent liabilities are defined in paragraph 7.251 of the IMF GFSM 2014 as obligations that do not arise unless a particular, discrete event(s) occurs in the future. The key difference between contingent liabilities and actual liabilities is that, for a contingent liability, one or more conditions must be fulfilled before a financial transaction is recorded. In GFS, contingent liabilities are not recognised as liabilities prior to their associated condition(s) being fulfilled. However, explicit contingent liabilities provide valuable information regarding potential obligations to provide economic value to another unit, and so these are recorded as memorandum items to the GFS balance sheet. Memorandum items in GFS differ to those of commercial accounting in that they are compulsory in the GFS framework rather than optional as in commercial accounting. Contingent liabilities are further discussed in Chapter 13 Part C of this manual.

8.24 Paragraph 7.15 of the IMF GFSM 2014 states that whenever a liability exists, the creditor in the transaction has a corresponding financial claim on the debtor. A financial claim is an asset that typically entitles the owner of the asset (the creditor) to receive funds or other resources from another unit (the debtor), under the terms of a liability. Like liabilities, financial claims are not dependant on any other associated condition(s) being fulfilled. Financial claims consist of debt instruments (including financial derivatives and monetary gold in the form of allocated and unallocated gold accounts), and equity and investment fund shares.

- Debt instruments are financial instruments that are created when one unit provides funds or other resources (for example, goods in the case of trade credit, or funds in the case of a loan) to a second unit and the second unit agrees to provide a return in the future.
- Equity and investment fund shares issued by corporations and similar legal forms of organisation are treated as liabilities of the issuing units even though the holders of the claims do not have a fixed or predetermined monetary claim on the corporation. Equity and investment fund shares entitle their owners to benefits in the form of dividends and other ownership distributions, and they often are held with the expectation of receiving holding gains. In the event that the issuing unit is liquidated, shares and other equities become claims on the residual value of the unit after the claims of all creditors have been met. If a public corporation has formally issued shares or another form of equity, then the shares are a liability of that corporation and an asset of the government or other unit that owns them. If a public corporation has not issued any type of shares, then the existence of other equity is imputed.

- Monetary gold in the form of allocated and unallocated gold accounts is a financial claim and a liability of another unit in the form of currency and deposits. Monetary gold in the form of bullion is not a financial claim, because it is not the liability of any other unit. Monetary gold provides economic benefits by serving as a store of value and a means of international payment to settle financial claims and finance other types of transactions. As a result, monetary gold in the form of bullion is treated as a financial asset only.

8.25 Liabilities are further discussed in paragraphs 8.54 to 8.108 of this manual.

PART D - VALUATION OF ASSETS AND LIABILITIES

8.26 All assets and liabilities should be valued as if they were acquired in current market transactions on the balance sheet reporting date (reference date). Paragraph 7.20 of the IMF GFSM 2014 states that the value of an asset (or liability) at any given time is its current market value, which is defined as the amount that would have to be paid to acquire the asset on the reporting date, taking into account its age, condition, and other relevant factors. This amount depends on the economic benefits that the owner of the asset can derive by holding or using it. The remaining benefits expected to be received from most assets diminish with the passage of time through depreciation / amortisation, which reduces the value of the asset. However, the remaining benefits of some assets (such as valuables), may increase or appreciate with the passage of time. The value of the remaining benefits may also increase or decrease because of changes in economic conditions.

8.27 If the market value of assets or liabilities increase or decrease during the financial reporting period, then holding gains and losses on the value of the assets or liabilities are recorded in GFS as other economic flows. Holding gains and losses are further discussed in Chapter 11 of this manual.

8.28 If the volume of non-financial assets increases through the addition of assets not previously recognised on the GFS balance sheet (such as the discovery of a mineral deposit), or decreases through destruction or depletion of the assets (such as through fire, flood, or other damage), then an other change in the volume of assets entry is recorded in the GFS accounts as *other changes in volume of non-financial assets* (ETF 5212, NFAC). Similarly, if the volume of liabilities increase through situations such as the unilateral write off of debt by government as part of a bail out or other operation, then this is recorded as *other change in the volume of liabilities* (ETF 5213, FALC). However, if the volume of liabilities increase or decrease due to debt forgiveness or debt rescheduling, these are recorded as *transactions in liabilities* (ETF 3211, FALC, SDC) due to the mutually agreed nature of the transaction and not as an other volume change. Debt forgiveness and debt rescheduling are discussed in Chapter 13 Part B of this manual. Other changes in the volume of assets are further discussed in Chapter 11 of this manual.

8.29 Paragraph 7.24 of the IMF GFS 2014 recommends that observable market prices be used to value all assets and liabilities in the GFS balance sheet. However, in estimating the current market price for balance sheet valuation, a price averaged over all transactions in a market can be used if the market is one on which the items in question are regularly, actively and freely traded. Where there are no observable prices because the assets or liabilities in question have not been purchased or sold on the market in the recent past, then an attempt should be made to estimate what the prices would be, were the assets or liabilities to be acquired on the market on the date to which the balance sheet relates. Such estimates may be obtained by (i) accumulating and revaluing transactions, or (ii) calculating the present value of future returns.

The Australian GFS valuation of financial assets and liabilities

8.30 In the Australian macroeconomic statistics, the value of an acquisition or disposal of an existing financial asset or liability is its current market value under the creditor approach (or from the perspective of the unit holding the security). Paragraph 17.261 of the 2008 SNA states that the creditor approach uses the current rate to estimate the value of interest between any two points in the instrument's life. Market value is conceptually equal to the required future payments of principal and contractual interest discounted at the existing market yield. The current IMF GFSM 2014 no longer recognises the use of the creditor approach, and only refers to it indirectly in paragraph 6.66. The Australian GFS diverges from the IMF GFSM 2014 in the valuation of all government assets and liabilities at the current market value using the creditor approach. The creditor approach is further discussed in Chapter 13 Part B of this manual.

The international valuation of financial assets and liabilities

8.31 The 2008 SNA and the IMF GFSM 2014 value their financial assets and liabilities using the nominal value under the debtor approach. The nominal value is conceptually equal to the required future payments of principal and interest discounted at the contractual interest rate. The debtor approach assumes that interest payments are fixed in advance, and accrued interest is determined using the original yield-to-maturity which is established at the time of the security issuance.

The difference between the nominal value and the market value

8.32 The essential difference between nominal and market valuation is the use of the current market yield instead of the contractual rate(s) as the discount rate(s) applicable. The relevance of historical (contractual) interest rates to reflect current valuation is not supported by the ABS. The market valuation principle using the creditor approach (from the perspective of the unit holding the security) reflects the current market value of assets and liabilities, and is a fundamental principle across ABS economic statistics. It should be noted that for consistency, valuation of debt at current market values requires measurement of interest payments and receipts at the current market yield, not contractual rates. The market value is further discussed in Chapter 13 Part B of this manual.

Estimating current market prices

8.33 Paragraphs 8.34 to 8.40 below provide general descriptions of methods used to estimate current market prices, and are extracted from paragraphs 7.26 to 7.33 of the IMF GFSM 2014. Because the valuation of liabilities in GFS is the same as the valuation of their corresponding financial assets, references to financial assets in this chapter should be read as including liabilities as well.

Values observed in markets

8.34 The ideal source of price observations for valuing balance sheet items is a market (like the stock exchange), in which each asset traded is completely homogeneous, is often traded in considerable volume, and has its market price listed at regular intervals. Such markets yield data on prices that can be multiplied by indicators of quantity in order to compute the total market value of different classes of assets held by sectors and of different classes of their liabilities.

8.35 For securities quoted on a stock exchange, it is feasible to gather the prices of individual assets and broad classes of assets of all existing securities. The global valuation of existing securities may also be determined to assist in valuation of the assets. Debt securities traded (or tradeable) in organised and other financial markets (such as bills, bonds, debentures, negotiable certificates of deposit, asset-backed securities, etc.) should be valued at the current market value. The treatment of debt in GFS is further discussed in Chapter 13 Part B of this manual.

8.36 If assets of the same kind are being produced and sold on the market, an existing asset may be valued at the current market price of a newly produced asset adjusted for depreciation in the case of non-financial produced assets, and any other differences between the existing asset and a newly produced asset. This adjustment for depreciation should be calculated on the basis of the asset prices prevailing on the balance sheet reference date rather than the actual amounts previously recorded as an expense.

8.37 In addition to providing direct observations on the prices of assets actually traded there, information from such markets may also be used to price similar assets that are not traded. For example, information from the stock exchange also may be used to price unlisted shares by analogy with similar, listed shares, making some allowance for the inferior marketability of the unlisted shares. Similarly, appraisals of assets for insurance or other purposes generally are based on observed prices for items that are close substitutes, although not identical, and this approach can be used for balance sheet valuation.

Values obtained by accumulating and revaluing transactions

8.38 In the absence of observable market prices, the balance sheet value of an asset may be obtained by accumulating and revaluing transactions. The values of most non-financial assets change year by year reflecting changes in market prices. At the same time, initial acquisition costs are reduced by depreciation (in the case of non-financial produced assets), or amortisation, or depletion over the expected life of the asset. The value of such an asset at a specific point in its life is given by the current acquisition price of an equivalent new asset minus the depreciation, amortisation, or depletion imputed by applying the chosen pattern of decline to that price. This valuation is referred to as the written-down replacement cost. When directly observed prices for used assets are not available, this procedure gives a reasonable approximation of what the market price would be, were the asset to be offered for sale.

- In the absence of observed market values, most non-financial produced assets are recorded in the balance sheet at their written-down replacement cost.
- Intangible non-produced assets (such as goodwill and marketing assets), are typically valued at their initial acquisition costs (using observed prices or the historical value revalued to the current period price using an appropriate price index) minus an allowance for amortisation. For this method, a pattern of decline must be chosen, which may be based on tax laws and accounting conventions.
- It may be possible to value subsoil and other naturally occurring assets at their initial acquisition costs (using observed prices or the historical value revalued to the current period price using an appropriate price index) minus an allowance for depletion.

8.39 The perpetual inventory method (PIM) is commonly used to estimate the written-down replacement cost of a category of assets, especially tangible non-financial produced assets. Under this method, the value of the stock is based on estimates of acquisitions and disposals that have been accumulated (after deduction of the accumulated depreciation, amortisation, or depletion imputed by applying the chosen pattern of decline to that price), and revalued over a long enough period to cover the acquisition of all assets in the category. The PIM may be viewed as the macroeconomic equivalent of an asset register, with the difference being that the PIM calculates the written-down replacement cost for large groups of assets, while an asset register does them for individual assets or asset types.

Present value of future returns

8.40 In some cases, current market prices may be approximated by the present value of the future economic benefits expected from a given asset. The present value is the value today of a future payment or stream of payments discounted at some appropriate compounded interest rate. It is also referred to as the time value of money or discounted cash flow. This method may be feasible for a number of assets such as naturally occurring assets and intangible assets. For example, timber and subsoil assets are assets whose benefits are normally receivable well in the future and / or spread over several years. Current prices can be used to estimate the gross return from the disposal of these assets and the costs of bringing them to market. These returns and costs can then be discounted to estimate the present value of the expected benefits.

Costs of ownership transfer

8.41 The current market value of non-financial assets (except land but including all other tangible non-produced assets) includes all costs of ownership transfer to the extent they have not been expensed as depreciation. The costs of ownership transfer on land are not included in the value of the land itself, but are included as part of the value of *land improvements* (NFAC 113). The reason for this is because the costs of ownership transfer relate to the items that are built on the surface of the land (these are produced assets and therefore seen as improvements to the land) rather than the land itself (which is treated as a non-produced asset in GFS). Land only includes the ground, including the soil covering and any associated surface waters, over which ownership rights are enforced. Therefore, there are no costs of ownership transfer shown separately in the GFS balance sheet.

8.42 Paragraph 8.8 of the IMF GFSM 2014 indicates that costs of ownership transfer are attributed to the purchaser or seller of the asset according to which unit bears the responsibility of meeting the costs in the purchase / sale agreement. Examples of costs of ownership transfer include fees paid to surveyors, engineers, architects, lawyers, estate agents, trade and transport costs separately invoiced to the purchaser, and taxes payable on the transfer. Paragraph 6.60 of the IMF GFSM 2014 notes that costs of ownership transfer are estimated at the time of the acquisition of an asset and are written off through depreciation over the period the asset is expected to be held by the purchaser rather than over the whole life of the asset.

8.43 Also included as part of costs of ownership transfer are terminal costs (also known as decommissioning or make-good costs). These are estimated at the time of the acquisition of the asset by the owner, but differ to other costs of ownership transfer because they are written off over the life of the associated asset, regardless of the number of owners during the life of the asset. Paragraph 6.60 of the IMF GFSM 2014 notes that in the case of large assets, such as oil rigs and nuclear power stations, there may be large terminal costs associated with the decommissioning of the assets at the end of their productive life. For some land sites, such as those used for landfill, there may be large terminal costs associated with rehabilitation of the site.

8.44 The costs of ownership transfer on financial assets are excluded from the current market value of the financial assets themselves. Counterpart financial assets and liabilities refer to the same financial instrument and so debtors and creditors record the same value. Therefore, the costs associated with the acquisition of a financial asset are treated as *use of goods and services* (ETF 1233, COFOG-A, SDC) at the time the financial asset is acquired. Costs of ownership transfer and decommissioning costs are also excluded on inventories and military inventories. The reason for this is because inventories are held for specific use by producer units for use in the production of goods or services.

Financial assets and liabilities in foreign currency

8.45 The value of financial assets and liabilities denominated in foreign currencies should be converted to the domestic currency value at the market exchange rate prevailing on the date to which the balance sheet relates. Paragraph 3.119 of the IMF GFSM 2014 recommends that the rate used is the mid-point between the buying and selling spot rates for currency transactions. When a multiple exchange rate system is in operation, the valuation should be based on the rate applicable to the type of asset in question.

8.46 If a transaction expressed in a foreign currency involves the creation of a financial asset or liability, such as other accounts receivable / payable, and is followed by a second transaction in the same foreign currency that extinguishes the financial asset or liability, then both transactions are valued at the exchange rates effective when each takes place.

PART E - GFS NET WORTH

8.47 The GFS net worth is a key economic measure which represents the value of a government entity's assets at market value at a point in time less the value of financial claims on the entity by other units. The excess of the value of assets over the value of liabilities and shares and other equity is defined as a unit's net worth. Net worth may be positive, negative, or zero in value.

Net Worth	**=**	**Assets (at market value)**	**-**	**Liabilities (at market value)**

8.48 Paragraph 7.229 of the IMF GFSM 2014 states that for most government units, the net worth is the economic value of the unit because they usually have no issued shares and other equity. In the case of quasi-corporations, net worth is zero because the value of the owners' equity is assumed to be equal to its assets minus its liabilities. Even when general government units have liabilities in the form of equity, the net worth of such government units is zero (similar to that of quasi-corporations), if these shares are not traded or the value of the shares cannot be determined independently.

8.49 The net worth at the end of a reference period less the net worth at the beginning of the period gives a measure of the change in net worth over the period. This change in net worth is made up of contributions from the following three components:

- Change in net worth due to transactions i.e. as reflected by the net operating balance;
- Change in net worth due to holding gains and losses (also known as revaluations); and
- Change in net worth due to other changes in the volume of assets.

PART F - THE GFS BALANCE SHEET

8.50 In GFS, the balance sheet records the stock positions of assets and liabilities owned by an institutional unit (or group of units) at their current market value, at the end of an accounting (or reference) period. The GFS balance sheet identifies financial assets, non-financial assets, liabilities and net worth as appears in Table 8.1 below:

Table 8.1 - The GFS balance sheet

	GFS Balance Sheet
1	Financial Assets
	plus
2	Non-Financial Assets
	Less
3	Liabilities
	equals
4	**GFS Net Worth (1) + (2) - (3)**

8.51 In GFS, input data are sourced from the financial accounts of the state and territory treasuries, the Department of Finance, local government units, and universities. These input data are classified to the GFS framework using a variety of input classifications in order to produce the variety of output statements that the ABS publish on a quarterly and annual basis. Table 8.2 below shows the broad framework of assets and liabilities as it appears in the economic type framework (ETF).

Table 8.2 - The broad framework of the balance sheet

Descriptor	**ETF**
Assets and liabilities	**8**
Assets	**81**
Assets	**811**
Financial assets	8111
Non-financial assets	8112
Liabilities	**82**
Liabilities	**821**
Liabilities	8211
GFS Net Worth	**83**
GFS Net Worth	**831**
GFS Net Worth	8311

8.52 As shown in Table 8.2 above, the economic type framework (ETF) contains the asset and liability framework at its broadest level. In order to populate the GFS balance sheet with the detail required for output purposes, a number of additional input classifications must be used. These additional classifications include the:

- Financial asset and liability classification (FALC) - this identifies financial assets and liabilities by type of asset / liability (see Chapter 4 and Appendix 1 Part A for further information).
- Non-financial asset classification (NFAC) - this identifies non-financial assets by type of asset (see paragraphs 4.57 to 4.68 and Appendix 1 Part A for further information).
- Source destination classification (SDC) - this identifies the sector that is the source or destination of transactions in, and stocks of, financial assets and liabilities in GFS (see Chapter 4 and Appendix 1 Part A of this manual for further information).

8.53 The detailed framework of assets and liabilities is shown in Table 8.3 below. This includes a hierarchical classification of financial assets, non-financial assets and liabilities pertaining to the GFS balance sheet, and the additional classifications required to populate the GFS balance sheet for output purposes.

Table 8.3 - The detailed framework of assets and liabilities

Descriptor	Classification codes
ASSETS AND LIABILITIES	**ETF 8**
ASSETS	**ETF 81**
ASSETS	**ETF 811**
FINANCIAL ASSETS	**ETF 8111** **FALC 1** **SDC**
Currency and deposits	**ETF 8111** **FALC 11** **SDC**
Cash and deposits	ETF 8111 FALC 111 SDC
Special Drawing Rights (SDRs)	ETF 8111 FALC 112 SDC 130
Monetary gold (bullion)	ETF 8111 FALC 113
Monetary gold (allocated and unallocated)	ETF 8111 FALC 114 SDC 130
Securities and related assets	**ETF 8111** **FALC 12** **SDC**
Debt securities	ETF 8111 FALC 121 SDC
Financial derivatives	ETF 8111 FALC 122 SDC
Employee stock options	ETF 8111 FALC 123 SDC
Equity including contributed capital	ETF 8111 FALC 124 SDC
Investment fund shares or units	ETF 8111 FALC 125 SDC
Loans and placements	**ETF 8111** **FALC 13** **SDC**
Finance leases	ETF 8111 FALC 131 SDC

Advances - concessional loans	ETF 8111 FALC 132 SDC
Advances other than concessional loans	ETF 8111 FALC 133 SDC
Other loans and placements not elsewhere classified	ETF 8111 FALC 139 SDC
Insurance, superannuation and standardised guarantee schemes	**ETF 8111 FALC 14 SDC**
Non-life insurance technical reserves	ETF 8111 FALC 141 SDC
Life insurance and annuities entitlements	ETF 8111 FALC 142 SDC
Provisions for defined benefit superannuation	ETF 8111 FALC 143 SDC
Claims of superannuation funds on superannuation manager	ETF 8111 FALC 144 SDC
Provisions for calls under standardised guarantee schemes	ETF 8111 FALC 145 SDC
Other financial assets	**ETF 8111 FALC 15 SDC**
Provisions for employee entitlements other than superannuation	ETF 8111 FALC 151 SDC
Accounts receivable	ETF 8111 FALC 152 SDC
Other financial assets not elsewhere classified	ETF 8111 FALC 159 SDC
NON-FINANCIAL ASSETS	**ETF 8112 NFAC 1 NFAC 2 NFAC 3**
FIXED ASSETS	**ETF 8112 NFAC 1**
Buildings and structures	**ETF 8112 NFAC 11**
Dwellings	ETF 8112 NFAC 111
Buildings other than dwellings	ETF 8112 NFAC 112
Land improvements	ETF 8112 NFAC 113
Structures not elsewhere classified	ETF 8112 NFAC 119
Machinery and equipment	**ETF 8112 NFAC 12**
Transport equipment	ETF 8112 NFAC 121

Information, computer, and telecommunications equipment	ETF 8112 NFAC 122
Machinery and equipment not elsewhere classified	ETF 8112 NFAC 129
Cultivated biological resources	**ETF 8112 NFAC 13**
Animal resources yielding repeat products	ETF 8112 NFAC 131
Tree, crop, and plant resources yielding repeat products	ETF 8112 NFAC 132
Intellectual property products	**ETF 8112 NFAC 14**
Research and development	ETF 8112 NFAC 141
Mineral exploration and evaluation	ETF 8112 NFAC 142
Computer software	ETF 8112 NFAC 143
Databases	ETF 8112 NFAC 144
Entertainment, literary, and artistic originals	ETF 8112 NFAC 145
Intellectual property products not elsewhere classified	ETF 8112 NFAC 149
Weapons systems	**ETF 8112 NFAC 15**
Weapons systems	ETF 8112 NFAC 151
OTHER PRODUCED ASSETS	**ETF 8112 NFAC 2**
Inventories	**ETF 8112 NFAC 21**
Inventories - materials and supplies	ETF 8112 NFAC 211
Inventories - work in progress	ETF 8112 NFAC 212
Inventories - finished goods	ETF 8112 NFAC 213
Inventories - goods for resale	ETF 8112 NFAC 214
Military inventories	ETF 8112 NFAC 215
Valuables	**ETF 8112 NFAC 22**
Valuables	ETF 8112 NFAC 221
Other produced assets	**ETF 8112 NFAC 23**
Other produced assets not elsewhere classified	ETF 8112 NFAC 239
NON-PRODUCED ASSETS	**ETF 8112 NFAC 3**
Tangible non-produced assets	**ETF 8112 NFAC 31**
Land	ETF 8112 NFAC 311

Mineral and energy resources	ETF 8112 NFAC 312
Non-cultivated biological resources	ETF 8112 NFAC 313
Water resources	ETF 8112 NFAC 314
Radio spectra	ETF 8112 NFAC 315
Tangible non-produced assets not elsewhere classified	ETF 8112 NFAC 319
Intangible non-produced assets	**ETF 8112 NFAC 32**
Marketable operating leases	ETF 8112 NFAC 321
Permits to use natural resources	ETF 8112 NFAC 322
Permits to undertake specific activities	ETF 8112 NFAC 323
Entitlement to future goods and services on an exclusive basis	ETF 8112 NFAC 324
Goodwill and marketing assets	ETF 8112 NFAC 325
Intangible non-produced assets not elsewhere classified	ETF 8112 NFAC 329
Other non-financial non-produced assets	**ETF 8112 NFAC 33**
Other non-produced assets not elsewhere classified	ETF 8112 NFAC 339
LIABILITIES	**ETF 82**
LIABILITIES	**ETF 821**
Currency and deposits	**ETF 8211 FALC 21 SDC**
Cash and deposits	ETF 8211 FALC 211 SDC
Special Drawing Rights (SDRs)	ETF 8211 FALC 212 SDC 130
Securities and related liabilities	**ETF 8211 FALC 22 SDC**
Debt securities	ETF 8211 FALC 221 SDC
Financial derivatives	ETF 8211 FALC 222 SDC
Employee stock options	ETF 8211 FALC 223 SDC
Equity including contributed capital	ETF 8211 FALC 224 SDC
Investment fund shares or units	ETF 8211 FALC 225 SDC

Loans and placements	**ETF 8211** **FALC 23** **SDC**
Finance leases	ETF 8211 FALC 231 SDC
Advances - concessional loans	ETF 8111 FALC 232 SDC
Advances other than concessional loans	ETF 8211 FALC 233 SDC
Other loans and placements not elsewhere classified	ETF 8211 FALC 239 SDC
Insurance, superannuation and standardised guarantee schemes	**ETF 8211** **FALC 24** **SDC**
Non-life insurance technical reserves	ETF 8211 FALC 241 SDC
Life insurance and annuities entitlements	ETF 8211 FALC 242 SDC
Provisions for defined benefit superannuation	ETF 8211 FALC 243 SDC
Claims of superannuation funds on superannuation manager	ETF 8211 FALC 244 SDC
Provisions for calls under standardised guarantee schemes	ETF 8211 FALC 245 SDC
Other liabilities	**ETF 8211** **FALC 25** **SDC**
Provisions for employee entitlements other than superannuation	ETF 8211 FALC 251 SDC
Accounts payable	ETF 8211 FALC 252 SDC
Other liabilities not elsewhere classified	ETF 8211 FALC 259 SDC
GFS Net Worth	**ETF 83**
GFS Net Worth	**ETF 831**
GFS Net Worth	ETF 8311

8.54 All financial assets (with the exception of monetary gold in the form of gold bullion held as reserve assets) have matching counterpart liabilities in GFS. Paragraph 7.15 of the IMF GFSM 2014 indicates that monetary gold in the form of bullion held as reserve assets is not considered to be a financial claim, because it is not the liability of any other unit. Monetary gold does, however, provide economic benefits by serving as a store of value and a means of international payment to settle financial claims and finance other types of transactions. As a result, gold in the form of bullion held as reserve assets is treated as financial assets in GFS. Monetary gold in the form of allocated and unallocated gold accounts is a financial claim and, therefore, a liability of another unit in the form of currency and deposits. Monetary gold is further discussed in paragraphs 8.64 to 8.66 of this manual, and in Chapter 9 of this manual.

8.55 In this chapter, financial assets and liabilities are discussed together to emphasise the counterparty relationship between them. As can be seen from Table 8.3 each classification category contains letters and numbers in brackets which signify the GFS classification codes related to each category. In GFS, assets and liabilities are classified to the *balance sheet* (ETF 8) using the FALC to identify the type of financial asset or liability. Additionally, an appropriate code within the *source destination classification* (SDC) is be applied to identify the institutional sector and level of government of the unit that is the holder of the asset or issuer of the liability.

Financial assets / liabilities (ETF 8111, FALC 1, SDC and ETF 8211, FALC 2, SDC)

8.56 These items record the current market value of financial assets and liabilities. In GFS, all financial assets (except for monetary gold in the form of gold bullion held as reserve assets) have counterpart liabilities. If these types of assets or liabilities are denominated in a foreign currency or held as unallocated gold accounts, their value in domestic currency can change through holding gains and losses due to changes in the exchange rate, or change in the value of the precious metal. Financial assets and liabilities include:

- Currency and deposits (ETF 8111, FALC 11, SDC and ETF 8211, FALC 21, SDC);
- Securities and related assets / liabilities (ETF 8111, FALC 12, SDC and ETF 8211, FALC 22, SDC);
- Loans and placements (ETF 8111, FALC 13, SDC and ETF 8211, FALC 23, SDC);
- Insurance, superannuation, and standardised guarantee schemes (ETF 8111, FALC 14, SDC and ETF 8211, FALC 24, SDC); and
- Other financial assets / liabilities (ETF 8111, FALC 15, SDC and ETF 8211, FALC 25, SDC).

Currency and deposits (ETF 8111, FALC 11, SDC and ETF 8211, FALC 21, SDC)

8.57 *Currency and deposits* (ETF 8111, FALC 11, SDC and ETF 8211, FALC 21, SDC) record the current market value of currency and deposits in the context of financial assets or liabilities. In GFS, currency and deposits are further identified as:

- Cash and deposits (ETF 8111, FALC 111, SDC and ETF 8211, FALC 211, SDC)
- Special drawing rights (SDRs) (ETF 8111, FALC 112, SDC 130 and ETF 8211, FALC 212, SDC 130);
- Monetary gold (bullion) (ETF 8111, FALC 113); and
- Monetary gold (allocated and unallocated) (ETF 8111, FALC 114, SDC 130 and ETF 8211, FALC 211, SDC 130).

Cash and deposits (ETF 8111, FALC 111, SDC and ETF 8211, FALC 211, SDC)

8.58 *Cash and deposits* (ETF 8111, FALC 111, SDC and ETF 8211, FALC 211, SDC) record the current market value of cash and deposit financial assets (ETF 8111, FALC 111, SDC) and liabilities (ETF 8211, FALC 211, SDC). In Australian GFS, cash consists of notes issued by the Reserve Bank of Australia, coins issued by the Australian Treasurer and any foreign currency held. Currency on issue constitutes a liability of the issuing unit. Unissued currency is not treated as a financial asset of the public sector, or a liability of the Reserve Bank of Australia but is classified as non-financial assets in the form of *valuables* (ETF 8112, NFAC 221, SDC) or *inventories - materials and supplies* (ETF 8112, NFAC 211, SDC) (whichever is the more appropriate). The value of foreign denominated currency held by a public sector unit is converted to the domestic currency at the exchange rate valid on the date to which the balance sheet relates. The rate used should be the midpoint between the buying and selling spot rates for currency transactions.

8.59 Deposits are all claims, represented by evidence of deposit, on the deposit-taking corporations (including the Reserve Bank of Australia) and, in some cases, general government or other institutional units. A deposit is usually a standard contract open to the public at large, that allows the placement of a variable amount of money. Public sector units may hold a variety of deposits as assets, including deposits in foreign currencies. It is also possible for a government unit to incur liabilities in the form of deposits. For example, a court or tax authority may hold a deposit pending resolution of a dispute. Public financial corporations (for example the Reserve Bank of Australia) typically incur liabilities in the form of deposits, including to government units. Unallocated accounts for precious metals are also deposits, with the exception of unallocated gold accounts held by monetary authorities for reserves purposes, which are treated as *monetary gold (allocated and unallocated)* (ETF 8111, FALC 114, SDC), with the counterpart liability being recorded as *cash and deposits* (ETF 8211, FALC 211, SDC).

8.60 Seigniorage is the profit earned by the Commonwealth Treasury and the Reserve Bank of Australia (RBA) on the issue of coins and notes (i.e. the difference between the value of coins and notes and their cost of production including the cost of base metals). Because notes and coin on issue are liabilities of the issuer, the value of note and coin issues including any seigniorage, is recorded as a financial transaction (i.e. incurring a liability). The costs of minting coins and printing notes are recorded as *other non-employee expenses not elsewhere classified* (ETF 1229, GOFOG-A, SDC) in GFS. Seigniorage profits for the issuer of currency are implicitly included as part of *cash and deposits* (ETF 8111, FALC 111) and are not treated as revenue in GFS.

8.61 Included as part of the concept of *cash and deposits* (ETF 8111, FALC 111, SDC and ETF 8211, FALC 211, SDC) are notes and coins on hand; cheques held but not yet deposited; cash and deposits in both Australian currency and foreign currency; deposits placed in the short-term money market such as grants received from the Commonwealth and deposited overnight; units issued by cash management trusts; withdrawable share capital of building societies; claims on the IMF that are components of international reserves and are not evidenced by loans; repayable margin payments in cash related to financial derivative contracts; unallocated accounts for precious metals; sight deposits that permit immediate cash withdrawals but not direct third-party transfers; savings and fixed-term deposits; foreign currency deposits that are blocked because of the rationing of foreign exchange as a matter of national policy; and seigniorage.

8.62 Excluded from the concept of *cash and deposits* (ETF 8111, FALC 111, SDC and ETF 8211, FALC 211, SDC) is gold and commemorative coins that are not in circulation as legal tender, and monetary gold not held as reserve assets (classified to *valuables* (ETF 8112, NFAC 221) or *inventories – materials and supplies* (ETF 8112, NFAC 211)); and claims on the IMF that are evidenced by loans (classified to *other loans and placements not elsewhere classified* (ETF 8111, FALC 139; and ETF 8211, FALC 239)). Unallocated gold accounts held by monetary authorities as reserves are classified as *monetary gold (allocated and unallocated)* (ETF 8111, FALC 114, SDC) with the counterpart liability in *cash and deposits* (ETF 8211, FALC 211, SDC).

Special Drawing Rights (SDRs) (ETF 8111, FALC 112, SDC 130 and ETF 8211, FALC 212, SDC 130)

8.63 *Special Drawing Rights* (SDRs) (ETF 8111, FALC 112, SDC 130 and ETF 8211, FALC 212, SDC 130) record the current market value of Special Drawing Rights (SDRs) financial assets (ETF 8111, FALC 112, SDC 130) and Special Drawing Rights (SDRs) liabilities (ETF 8211, FALC 212, SDC 130) held by the Commonwealth Government of Australia. SDRs are international reserve assets created by the International Monetary Fund (IMF) and allocated to its members to supplement reserve assets. SDRs are essentially contracts between the IMF and national governments. SDR holdings are part of the public sector's financial assets (on which interest accrues) because they represent each holder's unconditional right to obtain foreign exchange, or other reserve assets from other IMF members. Paragraph 7.133 of the IMF GFSM 2014 states that SDR allocations constitute a liability of the recipients which forms part of the public sector's debt liabilities, and the SDR holdings form part of the public sector's financial assets. The allocation and holdings are recorded on a gross basis. The value of an SDR is calculated on a daily basis by the IMF, based on a basket of key currencies and converted to US dollars. Therefore, the value of SDRs are subject to holding gains and losses in each reporting period.

Monetary gold (bullion) (ETF 8111, FALC 113, SDC) (asset only)

8.64 *Monetary gold (bullion)* (ETF 8111, FALC 113, SDC) records the current market value of gold in the form of bullion held as reserve assets. Monetary gold in the form of bullion is a type of financial asset that has no counterpart liability in GFS. Paragraph 7.126 of the IMF GFSM 2014 notes that monetary gold in the form of gold bullion is a financial asset that is restricted to central banks or central governments. A central bank is a public financial corporation that issues bank notes and coins and holds the international reserves of the country (in Australia, this is the Reserve Bank of Australia). Paragraph 7.128 of the IMF GFSM 2014 states that gold bullion takes the form of coins, ingots or bars with a purity of at least 995 parts per 1000. Gold bullion is traded on organised markets or through bilateral arrangements between central banks. The price of gold is usually quoted in US dollars, and so monetary gold in the form of bullion is subject to holding gains and losses because of changes in the exchange rate as well as in the price of gold itself.

8.65 Excluded from the concept of *monetary gold (bullion)* (ETF 8111, FALC 113, SDC) are deposits, loans and debt securities denominated in gold - these are classified to *cash and deposits* (ETF 8111, FALC 111, SDC and ETF 8211, FALC 211, SDC), *debt securities* (ETF 8111, FALC 121, SDC and ETF 8211, FALC 221, SDC); and *other loans and placements not elsewhere classified* (ETF 8111, FALC 139, SDC and ETF 8211, FALC 239, SDC); gold not held as a reserve asset but held primarily as a store of value is classified to *valuables* (ETF 8112, NFAC 221, SDC); and gold not held as a reserve asset but used in a production process is classified to *inventories – materials and supplies* (ETF 8112, NFAC 211, SDC).

Monetary gold (allocated and unallocated) assets (ETF 8111, FALC 114, SDC) and liabilities (ETF 8211, FALC 211, SDC)

8.66 *Monetary gold (allocated and unallocated)* (ETF 8111, FALC 114, SDC and ETF 8211, FALC 211, SDC) records the current market value of gold in the form of allocated and unallocated gold accounts held as reserve assets and liabilities. Paragraph 7.127 of the IMF GFSM notes that allocated gold accounts provide ownership of a specific piece of gold. The ownership of the gold remains with the entity placing it for safe custody. When held as reserve assets, allocated and unallocated gold accounts are classified as *monetary gold (allocated and unallocated)* (ETF 8111, FALC 114, SDC) with the counterpart liability recorded as *cash and deposits* (ETF 8211, FALC 211, SDC). Otherwise, allocated gold accounts are treated as representing the ownership of a non-financial asset (classified to *valuables* (ETF 8112, NFAC 221)). In contrast, unallocated gold accounts represent a claim against the account custodian to deliver gold. For these accounts, the account provider holds title to a reserve base of physical gold and issues claims to account holders denominated in gold.

Securities and related assets (ETF 8111, FALC 12, SDC) and liabilities (ETF 8211, FALC 22, SDC)

8.67 *Securities and related assets* (ETF 8111, FALC 12, SDC) and *liabilities* (ETF 8211, FALC 22, SDC) record the current market value of securities and related financial assets (ETF 8111, FALC 12, SDC) or liabilities (ETF 8211, FALC 22, SDC). In GFS, securities and related assets / liabilities are further identified as:

- *Debt securities* (ETF 8111, FALC 121, SDC and ETF 8211, FALC 221, SDC);
- *Financial derivatives* (ETF 8111, FALC 122, SDC and ETF 8211, FALC 222, SDC);
- *Employee stock options* (ETF 8111, FALC 123, SDC and ETF 8211, FALC 223, SDC);
- *Equity including contributed capital* (ETF 8111, FALC 124, SDC and ETF 8211, FALC 224, SDC); and
- *Investment fund shares or units* (ETF 8111, FALC 125, SDC and ETF 8211, FALC 225, SDC).

Debt securities (ETF 8111, FALC 121, SDC and ETF 8211, FALC 221, SDC)

8.68 *Debt securities* (ETF 8111, FALC 121, SDC and ETF 8211, FALC 221, SDC) record the current market value of debt security financial assets (ETF 8111, FALC 121, SDC) and liabilities (ETF 8211, FALC 221, SDC). Debt securities are defined as negotiable financial instruments serving as evidence of a debt. A debt security normally specifies a schedule for interest and principal payable.

8.69 Included as part of the concept of *debt securities* (ETF 8111, FALC 121, SDC and ETF 8211, FALC 221, SDC) are bills of exchange; promissory notes; treasury notes and bonds; banker's acceptances; commercial papers; negotiable certificates of deposit; long term notes; bonds and debentures, including bonds that are convertible into shares; loans that have become negotiable from one holder to another; non-participating preferred stocks or shares; asset-backed securities and collateralised debt obligations; zero-coupon bonds; deep-discount bonds; stripped securities; and index-linked securities. Debt securities are further discussed in Chapter 13 Part B of this manual.

Financial derivatives (ETF 8111, FALC 122, SDC and ETF 8211, FALC 222, SDC)

8.70 *Financial derivatives* (ETF 8111, FALC 122, SDC and ETF 8211, FALC 222, SDC) record the current market value of financial derivative assets (ETF 8111, FALC 122, SDC) and liabilities (ETF 8211, FALC 222, SDC). Paragraph 7.204 of the IMF GFSM 2014 defines a financial derivative as a financial instrument that is linked to another specific financial instrument, indicator or commodity, and through which specific financial risks (such as interest rate risk, foreign exchange risk, equity and commodity price risks, credit risk, and so on) can be traded in their own right in financial markets. Financial derivatives are valued at their current market value on the balance sheet recording date. The market value of financial derivatives should be recorded when they are created, traded, extinguished, or when there are increases and decreases in their market value.

8.71 Included as part of the concept of *financial derivatives* (ETF 8111, FALC 122, SDC and ETF 8211, FALC 222, SDC) are foreign exchange contracts; options, warrants including detachable warrants, forward-type contracts such as futures, forward rate agreements and forward foreign exchange contracts; swap contracts such as currency swaps, interest rate swaps and cross-currency interest rate swaps; and credit derivatives such as total return swaps and credit default swaps. Also included are repurchase agreements and securities repurchase agreements which involve the sale of securities for cash (at a specified price), with a commitment to repurchase the same or similar securities at a fixed price either on a specified future data or with an open maturity; securities lending which involves security holders transferring securities to another party, subject to the stipulation that the same or similar securities be returned on a specified date or on demand; gold swaps which involve an exchange of gold for foreign exchange deposits with an agreement that the transaction be reversed at an agreed future date at an agreed gold price; and off-market swaps which involve swap contracts that have a non-zero value at inception as a result of having reference rates priced differently from current market values.

8.72 Excluded from the concept of *financial derivatives* (ETF 8111, FALC 122, SDC and ETF 8211, FALC 222, SDC) are insurance and standardised guarantees (classified to *insurance, superannuation and standardised guarantee schemes* ETF 8111, FALC 14, SDC; and ETF 8211, FALC 24, SDC); contingent assets such as one-off guarantees (classified to *loan and other debt instrument guarantees* (ETF 7211) or *other one off guarantees* (ETF 7212)); and letters of credit (classified to *other one off guarantees* (ETF 7212)); and instruments with embedded derivatives (classified according to the primary characteristics of the instrument). Financial derivatives are further discussed in Chapter 13 Part B of this manual.

Employee stock options (ETF 8111, FALC 123, SDC and ETF 8211, FALC 223, SDC)

8.73 *Employee stock options* (ETF 8111, FALC 123, SDC and ETF 8211, FALC 223, SDC) record the current market value of employee stock options in the form of financial assets (ETF 8111, FALC 123, SDC) and liabilities (ETF 8211, FALC 223, SDC). Paragraph 7.221 of the IMF GFSM 2014 defines employee stock options as options to buy the equity of an entity, that are offered to employees of that entity as a form of remuneration. The IMF manual further states that although employee stock options have similar pricing behaviour to financial derivatives, they have a different nature and purpose to financial derivatives. Nevertheless, if an employee stock option granted is one that can be traded on financial markets without restriction, then it should be classified as a financial derivative.

8.74 In Australia, it is not usual for employee stock options to be used within the general government level, but they could be used by public financial corporations and public non-financial corporations, and so they form part of GFS.

8.75 Included as part of the concept of *employee stock options* (ETF 8111, FALC 123, SDC and ETF 8211, FALC 223, SDC) are stock options provided to suppliers of goods and services.

8.76 Excluded from the concept of *employee stock options* (ETF 8111, FALC 123, SDC and ETF 8211, FALC 223, SDC) are stock options granted to employees that can be traded on financial markets without restriction (classified to *financial derivatives* (ETF 8111, FALC 122, SDC and ETF 8211, FALC 222, SDC)).

Equity including contributed capital (ETF 8111, FALC 124, SDC and ETF 8211, FALC 224, SDC)

8.77 *Equity including contributed capital* (ETF 8111, FALC 124, SDC and ETF 8211, FALC 224, SDC) record the current market value of equity (including contributed capital) in the form of financial assets (ETF 8111, FALC 124, SDC) and liabilities (ETF 8211, FALC 224, SDC). Equity refers to claims on other entities, which entitle the holder to a share of the income of the entity and a right to a share of the residual assets of the entity, should it be wound up.

8.78 Included as part of the concept of *equity including contributed capital* (ETF 8111, FALC 124, SDC and ETF 8211, FALC 224, SDC) are listed and unlisted shares and stocks at current market values where they exist. Since unlisted shares may have no observed current market value, this is estimated by subtracting liabilities from the assets of the units whose shares are held.

Investment fund shares or units (ETF 8111, FALC 125, SDC and ETF 8211, FALC 225, SDC)

8.79 *Investment fund shares or units* (ETF 8111, FALC 125, SDC and ETF 8211, FALC 225, SDC) record the current market value of investment fund shares or units in the form of financial assets (ETF 8111, FALC 125, SDC) and liabilities (ETF 8211, FALC 225, SDC)s. Paragraph 7.174 of the IMF GFSM 2014 defines investment funds as collective investment undertakings, through which investors pool funds for investment in financial or non-financial assets. Paragraph 7.176 of the IMF GFSM 2014 indicates that investment funds invest in a range of assets, such as debt securities, equity, commodity-linked investments, real estate, shares in other investment funds, and structured assets. These funds issue shares (if a corporate structure is used) or units (if a trust structure is used).

8.80 Investment funds include both money market funds (MMF) and non-MMF investment funds. Paragraph 7.175 of the IMF GFSM 2014 states that MMFs are investment funds that invest only or primarily in short-term money market securities such as treasury bills, certificates of deposit, and commercial paper. Investment fund shares include the shares issued by mutual funds and units issued by unit trusts.

Loans and placements (ETF 8111, FALC 13, SDC and ETF 8211, FALC 23, SDC)

8.81 *Loans and placements* (ETF 8111, FALC 13, SDC and ETF 8211, FALC 23, SDC) record the current market value of loans and placements in the form of loan and placement financial assets (ETF 8111, FALC 13, SDC) or liabilities (ETF 8211, FALC 23, SDC). A loan is defined as a financial instrument that is created when a creditor lends funds directly to a debtor and receives a non-negotiable document (a contract) as evidence of the asset. A loan is distinguished from a deposit on the basis of the contractual documents which establish an effective financial claim between two parties, where the debtor is obliged to repay the funds provided by the creditor and the terms of repayment are not negotiable. In GFS, loans and placements are further identified as:

- *Finance leases* (ETF 8111, FALC 131, SDC and ETF 8211, FALC 231, SDC);
- *Advances - concessional loans* (ETF 8111, FALC 132, SDC and ETF 8211, FALC 232, SDC);
- *Advances other than concessional loans* (ETF 8111, FALC 133, SDC and ETF 8211, FALC 233, SDC); and
- *Loans and placements not elsewhere classified* (ETF 8111, FALC 139, SDC and ETF 8211, FALC 239, SDC).

Finance leases (ETF 8111, FALC 131, SDC and ETF 8211, FALC 231, SDC)

8.82 *Finance leases* (ETF 8111, FALC 131, SDC and ETF 8211, FALC 231, SDC) record the current market value of finance lease assets (ETF 8111, FALC 131, SDC) and liabilities (ETF 8211, FALC 231, SDC). A finance lease is defined as a contract under which the lessor as legal owner of an asset conveys substantially all risks and rewards of ownership of the asset to the lessee. Financial leases (and operating leases) are further discussed in Chapter 13 Part H of this manual.

Advances - concessional loans (ETF 8111, FALC 132, SDC and ETF 8211, FALC 232, SDC)

8.83 *Advances - concessional loans* (ETF 8111, FALC 132, SDC and ETF 8211, FALC 232, SDC) record the current market value of advances in the form of concessional loan assets (ETF 8111, FALC 132, SDC) and liabilities (ETF 8211, FALC 232, SDC). Concessional loans are defined as loans which occur when public sector units lend to other units and the contractual interest rate is intentionally set below the market interest rate that would otherwise apply. Concessional loans include below-market rate loans for the purchase of homes, war service land settlement and, occasionally, for the purchase of assets sold to persons and non-profit institutions. Concessional loans can be offered by public authorities to persons, private schools, religious organisations, etc. (e.g. for housing, or school buildings). The current market value of concessional loans is recorded as a financial asset or liability in GFS.

8.84 Paragraph 7.246 of the IMF GFSM states that loans with concessional interest rates could be seen as providing a benefit to the borrower in the form of an implicit transfer equal to the difference between the actual interest payable and the amounts that would be payable if market-equivalent interest prevailed. The value of the implicit transfer (including any implicit transfers relating to interest payable on the concessional loan) is recorded as a memorandum item in GFS under *implicit transfers from concessional loans* (ETF 7111) and *implicit transfers payable due to concessional loans* (ETF 7112).

Advances other than concessional loans (ETF 8111, FALC 133, SDC and ETF 8211, FALC 233, SDC)

8.85 *Advances other than concessional loans* (ETF 8111, FALC 133, SDC and ETF 8211, FALC 233, SDC) record the current market value of advances other than concessional loans in the form of financial assets (ETF 8111, FALC 133, SDC) and liabilities (ETF 8211, FALC 233, SDC). The term 'advances' refers to loans motivated by policy considerations rather than for liquidity management purposes. As a general rule, all loans made / received by general government to other government bodies are deemed to be for policy purposes. Advances are often made by public sector units to other public sector units, for example one level of government to another and between units at the same level of government (e.g. general government to public corporations). Advances can also be made to foreign governments and organisations, such as when subscriptions are made to the International Bank for Reconstruction and Development and the International Development Association.

8.86 Included as part of the concept of *advances other than concessional loans* (ETF 8111, FALC 133, SDC and ETF 8211, FALC 233, SDC) are long and short term loans; non-marketable debentures; long and short term promissory agreements (bonds and bills) issued to public sector units for the purpose of achieving government policy objectives; loans and other repayable funds received from government authorities for policy purposes rather than income generation or liquidity management purposes; and the provision of funds to public financial corporations for re-lending.

8.87 Excluded from the concept of *advances other than concessional loans* (ETF 8111, FALC 133, SDC and ETF 8211, FALC 233, SDC) is equity in public corporations (classified to *equity including contributed capital* (ETF 8111, FALC 124, SDC or ETF 8211, FALC 224, SDC)); grants and non-repayable refunds (classified to *revenue from current grants and subsidies* (ETF 1141, SDC) or *current grant expenses* (ETF 1251, COFOG-A, SDC), or *revenue from capital grants* (ETF 1151, SDC) or *capital grant expenses* (ETF 1261, COFOG-A, SDC)); concessional loans (classified to *advances – concessional loans* (ETF 8111, FALC 132, SDC or ETF 8211, FALC 232, SDC)). Also excluded is the value of repurchase agreements and gold swaps (classified as *financial derivatives* (ETF 8111, FALC 122, SDC or ETF 8211, FALC 222, SDC).

Loans and placements not elsewhere classified (ETF 8111, FALC 139, SDC and ETF 8211, FALC 239, SDC)

8.88 *Loans and placements not elsewhere classified* (ETF 8111, FALC 139, SDC and ETF 8211, FALC 239, SDC) record the current market value of loans and placements in the form of financial assets (ETF 8111, FALC 139, SDC) and liabilities (ETF 8211, FALC 239, SDC) that are not elsewhere classified. This item records the value of loans and placements other than those associated with *finance leases* (ETF 8111, FALC 131, SDC and ETF 8211, FALC 231, SDC); *advances - concessional loans* (ETF 8111, FALC 132, SDC and ETF 8211, FALC 232, SDC); and *advances other than concessional loans* (ETF 8111, FALC 133, SDC and ETF 8211, FALC 233, SDC).

8.89 Included as part of the concept of *loans and placements not elsewhere classified* (ETF 8111, FALC 139, SDC and ETF 8211, FALC 239, SDC) are overdrafts, mortgage loans; loans to finance trade credit and advances; and claims on the IMF in the form of loans.

8.90 Excluded from the concept of *loans and placements not elsewhere classified* (ETF 8111, FALC 139, SDC and ETF 8211, FALC 239, SDC) are concessional loans (classified to *advances - concessional loans* (ETF 8111, FALC 132, SDC and ETF 8211, FALC 232, SDC)); trade credit and advances (classified to *accounts receivable* (ETF 8111, FALC 152, SDC)); and *accounts payable* (ETF 8211, FALC 252, SDC)); loans that have become negotiable from one holder to another and where there is evidence of secondary market trading (classified to *debt securities* (ETF 8111, FALC 121, SDC and ETF 8211, FALC 221, SDC)); financial assets created by finance leases (classified to *finance leases* (ETF 8111, FALC 131, SDC and ETF 8211, FALC 231, SDC)); and loans acquired for policy rather than for liquidity management purposes (classified to *advances other than concessional loans* (ETF 8111, FALC 133, SDC and ETF 8211, FALC 233, SDC)). Also excluded are repurchase agreements, securities repurchase agreements, securities lending, gold swaps, and off-market swaps (all of which are classified as *financial derivatives* (ETF 8111, FALC 122, SDC and ETF 8211, FALC 222, SDC)).

Insurance, superannuation, and standardised guarantee schemes (ETF 8111, FALC 14, SDC and ETF 8211, FALC 24, SDC)

8.91 *Insurance, superannuation, and standardised guarantee schemes* (ETF 8111, FALC 14, SDC and ETF 8211, FALC 24, SDC) record the current market value of insurance, superannuation, and standardised guarantee scheme in the form of financial assets (ETF 8111, FALC 14, SDC) and liabilities ETF 8211, FALC 24, SDC). As operators of non-life insurance, superannuation and standardised guarantee schemes, public sector units hold financial assets and liabilities for reserves, entitlements, and provisions connected with these. In GFS, insurance, superannuation, and standardised guarantee schemes are further classified as:

- *Non-life insurance technical reserves* (ETF 8111, FALC 141, SDC and ETF 8211, FALC 241, SDC);
- *Life insurance and annuities entitlements* (ETF 8111, FALC 142, SDC and ETF 8211, FALC 242, SDC);
- *Provisions for defined benefit superannuation* (ETF 8111, FALC 143, SDC and ETF 8211, FALC 243, SDC);
- *Claims of superannuation funds on superannuation managers* (ETF 8111, FALC 144, SDC and ETF 8211, FALC 244, SDC); and
- *Provisions for calls under standardised guarantee schemes* (ETF 8111, FALC 145, SDC and ETF 8211, FALC 245, SDC).

Non-life insurance technical reserves (ETF 8111, FALC 141, SDC and ETF 8211, FALC 241, SDC)

8.92 *Non-life insurance technical reserves* (ETF 8111, FALC 141, SDC and ETF 8211, FALC 241, SDC) record the current market value of non-life insurance technical reserves in the form of financial assets (ETF 8111, FALC 141, SDC) and liabilities (ETF 8211, FALC 241, SDC). Paragraph 7.183 of the IMF GFSM 2014 states that non-life insurance technical reserves consist of (i) prepayments of net non-life insurance premiums; and (ii) reserves to meet outstanding non-life insurance claims.

8.93 Included as part of the concept of *non-life insurance technical reserves* (ETF 8111, FALC 141, SDC and ETF 8211, FALC 241, SDC) are premiums paid but not yet earned (called unearned premiums); claims incurred but not yet settled, reserves for unexpired risks; and equalisation reserves when there is an event that gives rise to a liability.

Life insurance and annuities entitlements (ETF 8111, FALC 142, SDC and ETF 8211, FALC 242, SDC)

8.94 *Life insurance and annuities entitlements* (ETF 8111, FALC 142, SDC and ETF 8211, FALC 242, SDC) record the current market value of life insurance and annuities entitlements in the form of financial assets (ETF 8111, FALC 142, SDC) and liabilities (ETF 8211, FALC 242, SDC).

8.95 Included as part of the concept of *life insurance and annuities entitlements* (ETF 8111, FALC 142, SDC and ETF 8211, FALC 242, SDC) are liabilities of life insurance companies and annuity providers for prepaid premiums and accrued liabilities to life insurance policyholders and beneficiaries of annuities

Provisions for defined benefit superannuation (ETF 8111, FALC 143, SDC and ETF 8211, FALC 243, SDC)

8.96 *Provisions for defined benefit superannuation* (ETF 8111, FALC 143, SDC and ETF 8211, FALC 243, SDC) record the current market value of the provisions for defined benefit superannuation financial assets (ETF 8111, FALC 143, SDC) and liabilities (ETF 8211, FALC 243, SDC). This category consists of provisions for financial claims that past and current employees hold against either their employer, or a fund designated by the employer, to pay defined benefit superannuation as part of a compensation agreement between the employer and employee.

8.97 In Australian GFS, only the net liability position for *provisions for defined benefit superannuation* (ETF 8211, FALC 243, SDC) is shown as conceptually, provisions are not recorded as assets. The asset position of *provisions for defined benefit superannuation* (ETF 8111, FALC 143, SDC) is only maintained for conceptual completeness in alignment with the international standards and will report a zero balance.

8.98 Included as part of the concept of *provisions for defined benefit superannuation* (ETF 8211, FALC 243, SDC) are the liabilities of unfunded superannuation schemes. Excluded from the concept of provisions for defined benefit superannuation are liabilities for the payment of social security benefits that were due to be paid but have not yet been paid (classified as *accounts payable* (ETF 8211, FALC 252, SDC)).

Claims of superannuation funds on superannuation managers (ETF 8111, FALC 144, SDC and ETF 8211, FALC 244, SDC)

8.99 *Claims of superannuation funds on superannuation managers* (ETF 8111, FALC 144, SDC and ETF 8211, FALC 244, SDC) record the current market value of claims of superannuation funds on superannuation managers in the form of financial assets (ETF 8111, FALC 144, SDC) and liabilities (ETF 8211, FALC 244, SDC). Paragraph 7.196 of the IMF GFSM 2014 states that in addition to its superannuation entitlement liabilities to its beneficiaries, a superannuation fund may sometimes have a claim on the employer, as the superannuation manager of the scheme. On the other hand, the superannuation manager may have a claim on the surplus of the superannuation fund. Such claims are classified as *claims of pension funds on pension manager* (ETF 8111, FALC 144, SDC and ETF 8211, FALC 244, SDC).

Provision for calls under standardised guarantee schemes (ETF 8111, FALC 145, SDC and ETF 8211, FALC 245, SDC)

8.100 *Provision for calls under standardised guarantee schemes* (ETF 8111, FALC 145, SDC and ETF 8211, FALC 245, SDC) record the current market value of provisions for calls under standardised guarantee schemes operated by the government in the form of financial assets (ETF 8111, FALC 145, SDC) and liabilities (ETF 8211, FALC 245, SDC). This category consists of the expected calls under outstanding guarantees net of any recoveries the guarantor expects to receive from defaulting borrowers.

8.101 Included as part of the concept of *provision for calls under standardised guarantee* (ETF 8111, FALC 145, SDC and ETF 8211, FALC 245, SDC) are export credit guarantees, deposit guarantees; and student loan guarantees.

Other financial assets (ETF 8111, FALC 15, SDC) and Other liabilities (ETF 8211, FALC 25, SDC)

8.102 *Other financial assets* (ETF 8111, FALC 15, SDC) and *Other liabilities* (ETF 8211, FALC 25, SDC) record the current market value of other financial assets and other liabilities held by public sector units. In GFS, other financial assets / other liabilities are further classified as:

- Provisions for employee entitlements other than superannuation (ETF 8111, FALC 151, SDC and ETF 8211, FALC 251, SDC);
- Accounts receivable / Accounts payable (ETF 8111, FALC 152, SDC and ETF 8211, FALC 252, SDC); and
- Other financial assets / Other liabilities (ETF 8111, FALC 159, SDC and ETF 8211, FALC 259, SDC).

Provisions for employee entitlements other than superannuation (ETF 8111, FALC 151, SDC and ETF 8211, FALC 251, SDC)

8.103 *Provisions for employee entitlements other than superannuation* (ETF 8111, FALC 151, SDC and ETF 8211, FALC 251, SDC) record the current market value of assets (ETF 8111, FALC 151, SDC) and liabilities (ETF 8211, FALC 251, SDC) in the form of provisions for government employee entitlements other than superannuation, that are owed by public sector units.

8.104 In Australian GFS, only the net liability position for *provisions for employee entitlements other than superannuation* (ETF 8211, FALC 251, SDC) is shown as conceptually, provisions are not recorded as assets. The asset position of *provisions for employee entitlements other than superannuation* (ETF 8111, FALC 151, SDC) is only maintained for conceptual completeness in alignment with the international GFS standards and will report a zero balance.

8.105 Included as part of the concept of *provisions for employee entitlements other than superannuation* (ETF 8111, FALC 151, SDC and ETF 8211, FALC 251, SDC) are provisions for liabilities such as sick leave paid to employees on resignation or retirement; recreation leave; long service leave; and workers' compensation (where benefits are paid by an employer and not a separate insurer).

Accounts receivable (ETF 8111, FALC 152, SDC) and Accounts payable (ETF 8211, FALC 252, SDC)

8.106 *Accounts receivable* (ETF 8111, FALC 152, SDC) and *Accounts payable* (ETF 8211, FALC 252, SDC) record the current market value of accounts receivable (ETF 8111, FALC 152, SDC) and accounts payable (ETF 8211, FALC 252, SDC) held by public sector units.

8.107 Included as part of the concept of *accounts receivable* (ETF 8111, FALC 152, SDC) / *accounts payable* (ETF 8211, FALC 252, SDC) are short and long term trade credit extended directly to purchasers of goods and services; advances for work that is in progress or to be undertaken, prepayments made or received such as progress payments made during construction in advance for work being done or for prepayments of goods and services; accrued but unpaid taxes, dividends, rent, wages and salaries, social contributions, and social benefits; payments due under financial derivative contracts that are in arrears; payments of amounts that have not yet accrued such as prepayments of taxes; deposits payable in advance to cover breakages or non-payment for the use of goods and services; and bail deposits.

8.108 Excluded from the concept of *accounts receivable* (ETF 8111, FALC 152, SDC) / *accounts payable* (ETF 8211, FALC 252, SDC) are accrued but unpaid loans; debt securities, or other liabilities provided by third parties to finance trade; any provisions or allowances for doubtful debts, and promissory notes or another type of security issued to consolidate the payment due on several trade credits, which are classified as *transactions in financial assets (net)* (ETF 3111, FALC, SDC).

Other financial assets (ETF 8111, FALC 159, SDC) and Other liabilities (ETF 8211, FALC 259, SDC)

8.109 *Other financial assets* (ETF 8111, FALC 159, SDC) and *Other liabilities* (ETF 8211, FALC 259, SDC) record the current market value of other financial assets and liabilities, other than those classified under *provisions for employee entitlements other than superannuation* (ETF 8111, FALC 151, SDC and ETF 8211, FALC 251, SDC), *accounts receivable* (ETF 8111, FALC 152, SDC); and *accounts payable* (ETF 8211, FALC 252, SDC).

The classification of non-financial assets in GFS

8.110 As can be seen from Table 8.3, non-financial assets are classified to the GFS balance sheet (ETF 8) by type using the non-financial asset classification (NFAC). Non-financial assets are identified in GFS balance sheet as produced assets in the form of *non-financial produced assets* (ETF 8112, NFAC 1) and *other non-financial produced assets* (ETF 8112, NFAC 2); and as non-financial non-produced assets in the form of *non-financial non-produced assets* (ETF 8112 NFAC 3).

Fixed assets (ETF 8112, NFAC 1)

8.111 *Fixed assets* (ETF 8112, NFAC 1) are types of non-financial produced assets that are owned by public sector units, and are created rather than occurring naturally in nature. These are assets that are made by humans or machines. The current market value of fixed assets are recorded in the GFS balance sheet. In this context, the current market value includes the un-depreciated component of costs of ownership transfer on all non-financial assets except for land (which are recorded as *land improvements* (ETF 8112, NFAC 113)) and inventories. In GFS, fixed assets are further classified as:

- Buildings and structures (ETF 8112, NFAC 11);
- Machinery and equipment (ETF 8112, NFAC 12);
- Cultivated biological resources (ETF 8112, NFAC 13);
- Intellectual property products (ETF 8112, NFAC 14); and
- Weapons systems (ETF 8112, NFAC 15).

Buildings and structures (ETF 8112, NFAC 11)

8.112 *Buildings and structures* (ETF 8112, NFAC 11) records the current market value of buildings and associated structures. In GFS, buildings and structures are further classified as:

- Dwellings (ETF 8112, NFAC 111);
- Buildings other than dwellings (ETF 8112, NFAC 112);
- Land improvements (ETF 8112, NFAC 113); and
- Structures not elsewhere classified (ETF 8112, NFAC 119).

Dwellings (ETF 8112, NFAC 111)

8.113 *Dwellings* (ETF 8112, NFAC 111) records the current market value of dwellings including the costs of ownership transfer. Dwellings are defined in paragraph 7.44 of the IMF GFSM 2014 as buildings, or designated parts of buildings, that are used entirely or primarily as residences, including any associated structures (such as garages), and all permanent fixtures customarily installed in residences, excluding the land upon which the dwelling exists.

8.114 Included as part of the concept of *dwellings* (ETF 8112, NFAC 111) are houseboats; barges; mobile homes; caravans that are used as principal residences; and public monuments identified primarily as dwellings. Dwellings acquired by government for military personnel are also included in this category because they are used in the same way as dwellings acquired by civilians. Incomplete dwellings are included to the extent that the ultimate user is deemed to have taken economic ownership; because the construction is on own account; the ultimate user assumed the risks and benefits of the asset; or as evidenced by the existence of a contract of sale or purchase.

Buildings other than dwellings (ETF 8112, NFAC 112)

8.115 *Buildings other than dwellings* (ETF 8112, NFAC 112) records the current market value of buildings other than dwellings including the costs of ownership transfer. Buildings other than dwellings are defined in paragraph 7.46 and 7.47 of the IMF GFSM as whole buildings or parts of buildings not designated as dwellings, excluding the land upon which the building other than dwellings exists. .

8.116 Included as part of the concept of *buildings other than dwellings* (ETF 8112, NFAC 112) are fixtures, facilities, and equipment that are integral parts of the structures, and the costs of site clearance and preparation for new buildings. The types of buildings included in this category are office buildings, schools, hospitals, buildings for public entertainment, warehouses and industrial buildings, commercial buildings, hotels, and restaurants. Public monuments identified primarily as non-residential buildings are also included. Prisons, schools, and hospitals are regarded as buildings other than dwellings despite the fact that they may shelter institutional households.

Land improvements (ETF 8112, NFAC 113)

8.117 *Land improvements* (ETF 8112, NFAC 113) records the current market value of improvements to land including the costs of ownership transfer on land. Paragraph 8.50 of the IMF GFSM 2014 describes land improvements as actions that lead to major improvements in the quantity, quality, or productivity of land, or prevent its deterioration (such as land clearance, land contouring, creation of wells and watering holes that are integral to the land in question).

8.118 Land improvements are non-financial produced assets that are distinct from the non-financial non-produced asset *land* (ETF 8112, NFAC 311). In GFS, the unimproved value of land must be separately identified from land improvements, and is subject to holding gains and losses separately from price changes due to improvements to the land. In cases where it is not possible to separate the value of the land before improvement and the value of those improvements, paragraph 7.50 of the IMF GFSM 2014 notes that the asset should be allocated to the category that represents the greater part of the value. Land improvements are further discussed in Chapter 13 Part F of this manual.

8.119 Included as part of the concept of *land improvements* (ETF 8112, NFAC 113) are activities that are integral to the land in question such as land reclamation, land clearance, land contouring, creation of wells and watering holes; preparation for the erection of buildings; planting of crops; and the costs of ownership transfer on land.

8.120 Excluded from the concept of *land improvements* (ETF 8112, NFAC 113) are the construction of seawalls, dykes, dams and major irrigation systems that are not integral (or part of) the land, and often affect land belonging to several owners, and which are often carried out by government (classified to *other structures not elsewhere classified* (ETF 8112, NFAC 119)).

Structures not elsewhere classified (ETF 8112, NFAC 119)

8.121 *Structures not elsewhere classified* (ETF 8112, NFAC 119) records the current market value of other structures that are not elsewhere classified, including the costs of ownership transfer. Paragraph 7.48 of the IMF GFSM 2014 defined other structures as all structures other than buildings, excluding the land upon which the other structure not elsewhere classified exists.

8.122 Included as part of the concept of *structures not elsewhere classified* (ETF 8112, NFAC 119) are highways; streets; roads; bridges; elevated highways; tunnels; railways; subways; airfield runways; sewers; waterways; harbours; dams; shafts, tunnels and other structures associated with mining mineral and energy resources; communication lines; power lines; long distance pipelines; local pipelines; cables; outdoor sport and recreation facilities; mining and manufacturing constructions; construction of sea walls, dikes, flood barriers and similar structures intended to improve the quality and quantity of land adjacent to them; infrastructure necessary for aquaculture such as fish farms and shellfish beds; public monuments that cannot be identified as dwellings or buildings other than dwellings; structures acquired for military purposes that are used repeatedly (or continuously) in processes of production for more than one year; and the costs of site clearance and preparation.

Machinery and equipment (ETF 8112, NFAC 12)

8.123 *Machinery and equipment* (ETF 8112, NFAC 12) records the current market value of machinery and equipment including the costs of ownership transfer. In GFS, machinery and equipment are further classified as:

- Transport equipment (ETF 8112, NFAC 121);
- Information, computer, and telecommunications equipment (ETF 8112, NFAC 122); and
- Machinery and equipment not elsewhere classified (ETF 8112, NFAC 129).

Transport equipment (ETF 8112, NFAC 121)

8.124 *Transport equipment* (ETF 8112, NFAC 121) records the current market value of transport equipment including the costs of ownership transfer. Paragraph 7.54 of the IMF GFSM 2014 states that the concept of *transport equipment* (ETF 8112, NFAC 121) includes equipment for moving people and objects, including motor vehicles, trailers and semitrailers, ships, railway locomotives and rolling stock, aircraft, spacecraft (e.g. satellite launch vehicles), motorcycles, and bicycles.

Information, computer, and telecommunications equipment (ETF 8112, NFAC 122)

8.125 *Information, computer, and telecommunications equipment* (ETF 8112, NFAC 122) records the current market value of information, computer, and telecommunications equipment including the costs of ownership transfer. Paragraph 7.56 of the IMF GFSM 2014 defines information, computer, and telecommunications equipment as computer hardware and telecommunications equipment consisting of devices using electronic controls and also the electronic components forming part of these devices.

8.126 Included in the concept of *information, computer, and telecommunications equipment* (ETF 8112, NFAC 122) are products that form part of computing machinery and parts and accessories thereof; television and radio transmitters; television, video, and digital cameras; satellites, and telephone sets.

Machinery and equipment not elsewhere classified (ETF 8112, NFAC 129)

8.127 *Machinery and equipment not elsewhere classified* (ETF 8112, NFAC 129) records the current market value of other machinery and equipment that is nor elsewhere classified, including the costs of ownership transfer. Paragraph 7.57 of the IMF GFSM 2014 notes that this category includes all machinery and equipment not classified in any of the other machinery and equipment categories.

8.128 Included as part of the concept of *machinery and equipment not elsewhere classified* (ETF 8112, NFAC 129) are general-purpose and special-purpose machinery; office and accounting equipment; electrical machinery; medical appliances; precision and optical instruments; furniture; watches and clocks; musical instruments; and sports goods. Also included are paintings, sculptures, other works of art or antiques, and other collections of considerable value that are owned and displayed for the purpose of producing museum and similar services, in other words, for production purposes.

8.129 Excluded from the concept of *machinery and equipment not elsewhere classified* (ETF 8112, NFAC 129) are similar items owned primarily as stores of value that are not intended for use in production (classified as *valuables* (ETF 8112, NFAC 221)). Also excluded from this category are inexpensive durable goods such as small / hand tools that are recorded as *use of goods and services* (ETF 1233).

Cultivated biological resources (ETF 8112, NFAC 13)

8.130 *Cultivated biological resources* (ETF 8112. NFAC 13) records the current market value of cultivated biological resources including the costs of ownership transfer. In GFS, cultivated biological resources are further classified as:

- Animal resources yielding repeat products (ETF 8112, NFAC 131); and
- Tree, crop, and plant resources yielding repeat products (ETF 8112, NFAC 132).

Animal resources yielding repeat products (ETF 8112, NFAC 131)

8.131 *Animal resources yielding repeat products* (ETF 8112, NFAC 131) records the current market value of animal resources yielding repeat products, including the costs of ownership transfer. Paragraph 7.63 of the IMF GFSM 2014 indicates that only animals and plants cultivated under the direct control, responsibility, and management of institutional units are considered to be cultivated assets in GFS.

8.132 Paragraph 7.60 of the IMF GFSM 2014 notes that the concept of *animal resources yielding repeat products* (ETF 8112, NFAC 131) includes breeding stocks, dairy cattle, draft animals, sheep, or other animals used for wool production, animals used for transportation, racing, or entertainment, and aquatic resources yielding repeat products.

8.133 Excluded from the concept of *animal resources yielding repeat products* (ETF 8112, NFAC 131) are immature cultivated assets (unless produced for own use), and animals raised for slaughter, including poultry (classified as *inventories* (ETF 8112, NFAC 21)).

Tree, crop, and plant resources yielding repeat products (ETF 8112, NFAC 132)

8.134 *Tree, crop, and plant resources yielding repeat products* (ETF 8112, NFAC 132) records the current market value of tree, crop, and plant resources yielding repeat products, including the costs of ownership transfer.

8.135 Paragraph 7.61 of the IMF GFSM 2014 notes that the concept of *tree, crop, and plant resources yielding repeat products* (ETF 8112, NFAC 132) includes trees (including vines and shrubs) cultivated for fruits and nuts, for sap and resin, and for bark and leaf products.

8.136 Excluded from the concept of *tree, crop, and plant resources yielding repeat products* (ETF 8112, NFAC 132) are trees grown for timber that yield a finished product once only when they are ultimately felled (classified to the appropriate category within *inventories* (ETF 8112, NFAC 21)), and grains or vegetables that produce only a single crop when they are harvested (classified to the appropriate category within *inventories* (ETF 8112, NFAC 21)).

8.137 Paragraph 7.62 of the IMF GFSM 2014 notes that in general, when the production of non-financial produced assets takes a long time to complete, those assets for which production is not yet completed at the end of the reporting period are recorded as inventories in the form of work in progress (ETF 8112, NFAC 212). These general principles also apply to the production of cultivated assets, such as animals or trees that may take a long time to reach maturity. Two cases need to be distinguished from each other: the production of cultivated products by specialised producers (such as breeders or tree nurseries), and the own-account production of cultivated assets by their users:

- In the case of the specialist producers, animals or trees whose production is not yet complete and are not ready for sale or delivery are recorded as *inventories - work in progress* (ETF 8112, NFAC 212).
- However, when animals or trees intended to be used as non-financial produced assets are produced on own account on farms or elsewhere, incomplete assets in the form of immature animals, trees, etc. not ready to be used in production are treated as the acquisition of non-financial produced assets by the producing public sector unit in its capacity as the eventual user, and not as work in progress.

Intellectual property products (ETF 8112, NFAC 14)

8.138 *Intellectual property products* (ETF 8112, NFAC 14) records the current market value of intellectual property products including the costs of ownership transfer. In GFS, intellectual property products are further classified as:

- Research and development (ETF 8112, NFAC 141);
- Mineral exploration and evaluation (ETF 8112, NFAC 142);
- Computer software (ETF 8112, NFAC 143);
- Databases (ETF 8112, NFAC 144);
- Entertainment, literary, and artistic originals (ETF 8112, NFAC 145); and
- Intellectual property products not elsewhere classified (ETF 8112, NFAC 149).

Research and development (ETF 8112, NFAC 141)

8.139 *Research and development* (ETF 8112, NFAC 141) records the current market value of research and development including the costs of ownership transfer. Research and development is defined in paragraph 7.66 of the IMF GFSM 2014 as the value of expenditure on creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of humankind, culture, and society, and use of this stock of knowledge to devise new applications.

8.140 Included as part of the concept of *research and development* (ETF 8112, NFAC 141) is research and development that provides an economic benefit to its owner.

8.141 Excluded from the concept of *research and development* (ETF 8112, NFAC 141) is any research and development that does not provide an economic benefit to its owner (classified as *other non-employee expenses not elsewhere classified* (ETF 1229, COFOG-A, SDC)).

Mineral exploration and evaluation (ETF 8112, NFAC 142)

8.142 *Mineral exploration and evaluation* (ETF 8112, NFAC 142) records the current market value of mineral exploration and evaluation, including any costs of ownership transfer. Paragraph 7.68 of the IMF GFSM 2014 indicates that mineral exploration and evaluation consists of the value of expenditure on exploration for petroleum and natural gas, and for non-petroleum deposits, and subsequent evaluation of the discoveries made.

8.143 The concept of *mineral exploration and evaluation* (ETF 8112, NFAC 142) includes the costs of actual test drilling and boring; pre-license, license, acquisition, and appraisal costs; the costs of aerial and other surveys; and transportation and other costs incurred to make the exploration possible.

Computer software (ETF 8112, NFAC 143)

8.144 *Computer software* (ETF 8112, NFAC 143) records the current market value of computer software, including costs of ownership transfer. Paragraph 7.70 of the IMF GFSM 2014 notes that computer software may be purchased from other units or developed on own account, and may be intended only for own use or may be intended for sale by means of copies.

8.145 Included as part of the concept of *computer software* (ETF 8112, NFAC 143) are computer programs, program descriptions, and supporting materials for both systems and applications software that are expected to be used for more than one year.

Databases (ETF 8112, NFAC 144)

8.146 *Databases* (ETF 8112, NFAC 144) records the current market value of databases, including the costs of ownership transfer. Paragraph 7.70 of the IMF GFSM 2014 defines databases as consisting of files of data organised in such a way as to permit resource effective access and use of the data, including the value of the information content. The costs associated with the purchase, development, or extension of databases are recorded as assets when they are used in production for more than one year.

Entertainment, literary, and artistic originals (ETF 8112, NFAC 145)

8.147 *Entertainment, literary, and artistic originals* (ETF 8112, NFAC 145) records the current market value of entertainment, literary, and artistic originals, including the costs of ownership transfer. Paragraph 7.72 of the IMF GFSM 2014 defines entertainment, literary, and artistic originals as original films, sound recordings, manuscripts, tapes, and models in which drama performances, radio and television programming, musical performances, sporting events, and literary and artistic output are recorded or embodied.

Intellectual property products not elsewhere classified (ETF 8112, NFAC 149)

8.148 *Intellectual property products not elsewhere classified* (ETF 8112, NFAC 149) records the current market value of other intellectual property products not elsewhere classified. Paragraph 7.73 of the IMF GFSM 2014 defines other intellectual property products not elsewhere classified as consisting of new information and specialised knowledge not elsewhere classified, the use of which is restricted to the units that have established ownership rights over the information or to other units licensed by the owners.

8.149 Included as part of the concept of *intellectual property products not elsewhere classified* (ETF 8112, NFAC 149) are intellectual property products other than research and development, mineral exploration and evaluation, computer software, databases, and entertainment, literary and artistic originals.

Weapons systems (ETF 8112, NFAC 15 and NFAC 151)

8.150 *Weapons systems* (ETF 8112, NFAC 15 and NFAC 151) (also known as defence weapons platforms in Australian GFS) record the current market value of military weapons systems, including the costs of ownership transfer (these include fees for transport costs separately invoiced to the purchaser, and decommissioning costs). Included as part of the concept of *weapons systems* (ETF 8112, NFAC 15, and NFAC 151) are specialised vehicles and other equipment such as warships, submarines, military aircraft, tanks, missile carriers; launchers; single-use weapons with a highly destructive capability which provide an ongoing service of deterrence against aggressors such as ballistic missiles, used repeatedly or continuously in the provision of defence services over a period of more than one year, even if their peacetime use is simply to provide deterrence.

8.151 Excluded from the concept of *weapons systems* (ETF 8112, NFAC 15 and NFAC 151) is expenditure on military goods such as single-use weapons (ammunition, missiles, rockets, bombs, torpedoes) and spare parts. Paragraph 7.74 of the IMF GFSM 2014 notes that expenditure on military goods such as single-use weapons and spare parts are recorded as transactions in acquisitions of non-financial assets via *change in inventories (military inventories)* (ETF 4111, NFAC 215). When military inventories are used, they are withdrawn from inventories and recorded as *use of goods and services* (ETF 1233, COFOG-A, SDC).

Other produced assets (ETF 8112, NFAC 2)

8.152 *Other produced assets* (ETF 8112, NFAC 2) record the current market value of other non-financial produced assets, including any costs of ownership transfer. In GFS, other non-financial produced assets are further classified as:

- Inventories (ETF 8112, NFAC 21);
- Valuables (ETF 8112, NFAC 22); and
- Other produced assets (ETF 8112, NFAC 23).

Inventories (ETF 8112, NFAC 21)

8.153 *Inventories* (ETF 8112, NFAC 21) record the current market value of inventories. Paragraph 7.75 of the IMF GFSM 2014 defines inventories as produced assets consisting of goods and services, which came into existence in the current period or in an earlier period, and that are held for sale, use in production, or other use at a later date. It is important to note that the current market value of inventories does not include any costs of ownership transfer (including transport, storage and decommissioning costs). The reason for this is because inventories form part of the production of goods and services, and are held by producer units specifically for the purpose of being further processed, sold, delivered to other units, or used in other ways as part of a production process. Inventories may also consist of products acquired from other units that are intended to be used in the production of market and non-market goods and services by producer units, or for resale without further processing. In GFS, inventories are further classified as:

- Inventories - materials and supplies (ETF 8112, NFAC 211);
- Inventories - work in progress (ETF 8112, NFAC 212);
- Inventories - finished goods (ETF 8112, NFAC 213);
- Inventories - goods for resale (ETF 8112, NFAC 214); and
- Military inventories (ETF 8112, NFAC 215).

Inventories - materials and supplies (ETF 8112, NFAC 211)

8.154 *Inventories - materials and supplies* (ETF 8112, NFAC 211) records the current market value of inventories of materials and supplies excluding costs of ownership transfer. Paragraph 7.79 of the IMF GFSM 2014 defines materials and supplies to be all goods held with the intention of using them as inputs to a production process. Every public sector unit may be expected to hold some materials and supplies, if only office supplies.

8.155 Included as part of the concept of *inventories - materials and supplies* (ETF 8112, NFAC 211) are office supplies, fuel, and foodstuffs.

8.156 Excluded from the concept of *inventories - materials and supplies* (ETF 8112, NFAC 211) are the costs of ownership transfer (including transport, storage and decommissioning costs).

Inventories - work in progress (ETF 8112, NFAC 212)

8.157 *Inventories - work in progress* (ETF 8112, NFAC 212) records the current market value of inventories of work in progress excluding costs of ownership transfer. Paragraph 7.80 of the IMF GFSM 2014 defines work in progress as goods and services that are not yet sufficiently processed to be in a state in which it is normally supplied to other institutional units.

8.158 Paragraph 7.80 of the IMF GFSM 2014 notes that public sector units that primarily produce non-market services are likely to have little or no work in progress because the production of such services are completed in a short time span, or continuously. Work in progress must be recorded for any output that is not complete at the end of the accounting period, such as construction or growing crops. The only exceptions to recording incomplete work as work in progress are for partially completed projects for which the ultimate owner is deemed to have taken ownership, either because the production is for own use or as evidenced by the existence of a contract of sale or purchase. In these exceptions, the partially complete products are recorded as the acquisition of non-financial produced assets rather than work in progress.

8.159 Included as part of the concept of *inventories - work in progress* (ETF 8112, NFAC 212) are immature animal resource assets unless produced for own use; animals raised for slaughter, including poultry; trees grown for timber that yield a finished product once only when they are ultimately felled; grains or vegetables that produce only a single crop when they are harvested; and immature tree, crop and plant resource assets unless produced for own use.

8.160 Excluded from the concept of *inventories - work in progress* (ETF 8112, NFAC 212) are partially completed projects for which the ultimate owner is deemed to have taken economic ownership in stages, either when the production is for own use and the new owner assumes the risks and benefits associated with the incomplete asset, or when evidenced by specific clauses in a contract of sale or purchase (classified to the appropriate category under *non-financial produced assets* (ETF 8112, NFAC 1)); and costs of ownership transfer (including transport, storage and decommissioning costs).

Inventories - finished goods (ETF 8112, NFAC 213)

8.161 *Inventories - finished goods* (ETF 8112, NFAC 213) records the current market value of inventories of finished goods excluding costs of ownership transfer. Paragraph 7.83 of the IMF GFSM 2014 defines finished goods as goods that are the output of a production process, are still held by their producer, and are not expected to be processed further by the producer before being supplied to other units. Finished goods may only be held by the units that produce them. Public sector units will have finished goods only if they produce goods for sale or transfer to other units. Inventories of finished goods are valued at their current market value (before the addition of any taxes, transport, or distribution charges) or at their current replacement price, and exclude costs of ownership transfer.

Inventories - goods for resale (ETF 8112, NFAC 214)

8.162 *Inventories - goods for resale* (ETF 8112, NFAC 214) records the current market value of inventories of goods for resale excluding costs of ownership transfer. Paragraph 7.84 of the IMF GFSM 2014 defines goods for resale as goods acquired for the purpose of reselling or transferring to other units without being further processed. Goods for resale may be transported, stored, graded, sorted, washed, or packaged by their owners to present them for resale in ways that are attractive to their customers or beneficiaries, but they are not otherwise transformed.

8.163 Public sector units that sell goods at economically significant prices are likely to possess an inventory of goods for resale. Paragraph 7.83 of the IMF GFSM 2014 states that this category also includes goods purchased by public sector units for provision free of charge or at prices that are not economically significant to other units. By convention, goods acquired for distribution as social transfers in kind but that have not yet been so delivered are also included in goods for resale.

8.164 Included as part of the concept of *inventories - goods for resale* (ETF 8112, NFAC 214) are strategic stocks which are held for strategic and emergency purposes; goods held by market regulatory organisations; and commodities of special importance to the nation such as grain and petroleum.

8.165 Excluded from the concept of *inventories - goods for resale* (ETF 8112, NFAC 214) are costs of ownership transfer (including transport, storage and decommissioning costs).

Inventories - military inventories (ETF 8112, NFAC 215)

8.166 *Inventories - military inventories* (ETF 8112, NFAC 215) records the current market value of military inventories excluding costs of ownership transfer and decommissioning costs. Paragraph 7.86 of the IMF GFSM 2014 defines military inventories as comprising single-use items, such as ammunition, missiles, rockets, bombs, etc., delivered by weapons or weapons systems. As noted in the discussion in paragraphs 8.55 and 8.141 of this manual, most single-use items are treated as inventories but some types of missiles with highly destructive capability may be treated as non-financial produced assets because of their ability to provide an ongoing deterrence service against aggressors. Military inventories are valued at their current market value or at their current replacement cost.

8.167 Included as part of the concept of *inventories - military inventories* (ETF 8112, NFAC 215) is expenditure on military goods such as single-use weapons (ammunition, missiles, rockets, bombs, torpedoes) and spare parts. Paragraph 7.74 of the IMF GFSM 2014 notes that expenditure on military goods such as single-use weapons and spare parts are recorded as transactions in acquisitions of non-financial assets via *change in inventories (military inventories)* (ETF 4111, NFAC 215). Once used, they are withdrawn from inventories and recorded as *use of goods and services* (ETF 1233, COFOG-A, SDC).

8.168 Excluded from the concept of *inventories - military inventories* (ETF 8112, NFAC 215) are specialised vehicles and other equipment such as warships, submarines, military aircraft, tanks, missile carriers; launchers; single-use weapons with a highly destructive capability which provide an ongoing service of deterrence against aggressors such as ballistic missiles, used repeatedly or continuously in the provision of defence services over a period of more than one year, even if their peacetime use is simply to provide deterrence. These are classified as *weapons systems* (ETF 8112, NFAC 151). Costs of ownership transfer (including transport, storage and decommissioning costs) are also excluded on military inventories (and all other inventories). The reason for this is because inventories are specifically held for use as part of the production of goods and services process.

Valuables (ETF 8112, NFAC 22 and NFAC 221)

8.169 *Valuables* (ETF 8112, NFAC 22 and NFAC 221) record the current market value of valuables, including the costs of ownership transfer. Paragraph 7.87 of the IMF GFSM 2014 defines valuables as produced goods of considerable value that are not used primarily for purposes of production or consumption but are held as stores of value over time. The nature of valuables is that they are expected to appreciate, and increase their value over time, and not deteriorate over time under normal conditions. Any increase / decrease in value of an individual valuable is treated as a holding gain / loss.

8.170 Included as part of the concept of *valuables* (ETF 8112, NFAC 22 and NFAC 221) are non-monetary gold and other precious stones and metals that are not intended to be used as materials and supplies in the processes of production; paintings, sculptures and other objects recognised as works of art or antiques held primarily as stores of value over time; jewellery of significant value fashioned out of precious stones and metals; collections; and commemorative coins that are not in circulation as legal tender.

8.171 Excluded from the concept of *valuables* (ETF 8112, NFAC 22 and NFAC 221) are produced goods of considerable value that are used in the production process, such as works of art, jewellery collections, etc., held for display for the production of museum, art gallery etc., services (classified as *other machinery and equipment not elsewhere classified* (ETF 8112, NFAC 129)).

Other produced assets (ETF 8112, NFAC 23 and NFAC 239)

8.172 *Other produced assets* (ETF 8112, NFAC 23 and NFAC 239) record the current market value of other non-financial produced assets, including costs of ownership transfer.

8.173 Excluded from the concept of *other produced assets not elsewhere classified* (ETF 8112, NFAC 23 and NFAC 239) are assets classified to the appropriate category of *inventories* (ETF 8112, NFAC 21), and *valuables* (ETF 8112, NFAC 221).

Non-produced assets (ETF 8112, NFAC 3)

8.174 *Non-produced assets* (ETF 8112, NFAC 3) records the current market value of non-financial non-produced assets, including the costs of ownership transfer. Paragraph 7.90 of the IMF GFSM 2014 defines non-produced assets as consisting of tangible, naturally occurring assets (known as natural resources) over which ownership rights are enforced; and intangible non-produced assets that are constructs of society. If ownership rights have not (or cannot) be enforced over naturally occurring resources, then they are not considered to be economic assets, and are not recognised as part of the GFS. In GFS, non-financial non-produced assets are further classified as:

- *Tangible non-produced assets* (ETF 8112, NFAC 31);
- *Intangible non-produced assets* (ETF 8112, NFAC 32); and
- *Other non-produced assets* (ETF 8112, NFAC 33).

Tangible non-produced assets (ETF 8112, NFAC 31)

8.175 *Tangible non-produced assets* (ETF 8112, NFAC 31) records the current market value of tangible non-produced assets, including costs of ownership transfer (except for land). In GFS, tangible non-produced assets are further classified as:

- *Land* (ETF 8112, NFAC 311);
- *Mineral and energy resources* (ETF 8112, NFAC 312);
- *Non-cultivated biological resources* (ETF 8112, NFAC 313);
- *Water resources* (ETF 8112, NFAC 314);
- *Radio spectra* (ETF 8112, NFAC 315); and
- *Tangible non-produced assets not elsewhere classified* (ETF 8112, NFAC 319).

Land (ETF 8112, NFAC 311)

8.176 *Land* (ETF 8112, NFAC 311) records the current market value of land excluding costs of ownership transfer. The reason that costs of ownership transfer are treated as land improvements is because they relate to the items that are built on the surface of the land (these are produced assets that are treated as improvements to the land) rather than the land itself (which is treated as a non-produced asset). Paragraph 7.92 of the IMF GFSM 2014 defines land as the ground, including the soil covering, the land under roads and railway lines, and any associated surface waters over which ownership rights are enforced and from which economic benefits can be derived by their owners by holding or using them. Paragraph 7.91 of the IMF GFSM 2014 states that all immovable non-produced assets such as land and other natural resources within the economic territory are owned by resident units.

8.177 Included as part of the concept of *land* (ETF 8112, NFAC 311) are land holdings; reservoirs, lakes, rivers, and other inland waters over which ownership rights can be exercised.

8.178 Excluded from the concept of *land* (ETF 8112, NFAC 311) are water bodies from which water is regularly extracted, against payment, for use in production (including for irrigation) (classified to *water resources* (ETF 8112, NFAC 314)); buildings and other structures constructed on the land or through it, such as roads, office buildings and tunnels (classified to *buildings other than dwellings* (ETF 8112, NFAC 112); *land improvements* (ETF 8112, NFAC 113); or *other structures not elsewhere classified* (ETF 8112, NFAC 119)); the costs of ownership transfer on land (classified to *land improvements* (ETF 8112, NFAC 113)); cultivated components of vineyards, orchards and other plantations of trees, animals and crops (classified to *cultivated biological resources* (ETF 8112, NFAC 13)); subsoil assets (classified to *mineral and energy resources* (ETF 8112, NFAC 312)); non-cultivated biological resources (classified to *non-cultivated biological resources* (ETF 8112, NFAC 313)); and water below the ground (classified to *water resources* (ETF 8112, NFAC 314)).

Mineral and energy resources (ETF 8112, NFAC 312)

8.179 *Mineral and energy resources* (ETF 8112, NFAC 312) records the current market value of mineral and energy resources including costs of ownership transfer. Paragraph 7.97 of the IMF GFSM 2014 defines mineral and energy resources as mineral and energy reserves located on or below the earth's surface that are economically exploitable, given current technology and relative prices. Mineral and energy deposits may be located on or below the earth's surface, including deposits under the sea, but they must be economically exploitable to be included as part of this classification category.

8.180 Paragraph 7.99 of the IMF GFSM 2014 notes that often the enterprise extracting a resource is different from the owner of the resource. In Australia, natural resources are the property of the Australian government. While an extractor may or may not have the right to extract until the resource is exhausted, it is the extractor who determines how fast the resource will be depleted. In such an arrangement, it can sometimes appear as if there has been a change of economic ownership to the extractor, even if this is not the legal position. In GFS, because there is no wholly satisfactory way in which to show the value of the asset split between the legal owner and the extractor, the whole of the resource is shown on the balance sheet of the legal owner (classified as *mineral and energy resources* (ETF 8112, NFAC 312)) and the payments from the extractor to the owner are shown as rent (classified as *royalty income* (ETF 1135, SDC)).

8.181 Included as part of the concept of *mineral and energy resources* (ETF 8112, NFAC 312) are deposits under the sea; known reserves of oil, natural gas and coal; known reserves of metallic ores including ferrous, non-ferrous and precious metal ores; non-metallic mineral reserves including stone quarries, clay and sand pits, chemical and fertiliser mineral deposits, deposits of salt, quartz, gypsum, natural gem stones, asphalt, bitumen, and peat.

8.182 Excluded from the concept of *mineral and energy resources* (ETF 8112, NFAC 312) are mine shafts, wells and other subsoil extraction facilities (classified to *other structures not elsewhere classified* (ETF 8112, NFAC 119).

Non-cultivated biological resources (ETF 8112, NFAC 313)

8.183 *Non-cultivated biological resources* (ETF 8112, NFAC 313) record the current market value of non-cultivated biological resources including costs of ownership transfer. Paragraph 7.101 of the IMF GFSM 2014 defines non-cultivated biological resources as consisting of animals, birds, fish and plants that yield both once-only and repeat products over which ownership rights are enforced but for which natural growth or regeneration is not under the direct control, responsibility and management of any institutional units. Only those resources that have economic value which is not included in the value of the associated land are included in this item.

8.184 Included as part of the concept of *non-cultivated biological resources* (ETF 8112, NFAC 313) are virgin forests, and fisheries that are commercially exploitable.

8.185 Excluded from the concept of *non-cultivated biological resource*s (ETF 8112, NFAC 313) are resources that have economic value that are included in the value of the associated land (classified to *land* (ETF 8112, NFAC 311)).

Water resources (ETF 8112, NFAC 314)

8.186 *Water resources* (ETF 8112, NFAC 314) records the current market value of water resources including costs of ownership transfer. Water resources are defined in paragraph 7.102 of the IMF GFSM 2014 as consisting of surface and ground water resources used for extraction to the extent that their scarcity leads to the enforcement of ownership or use rights, market valuation and some measure of economic control.

8.187 Excluded from the concept of *water resources* (ETF 8112, NFAC 314) are any surface waters that are included as part of the concept of land (classified to *land* (ETF 8112, NFAC 311)).

Radio spectra (ETF 8112, NFAC 315)

8.188 *Radio spectra* (ETF 8112, NFAC 315) records the current market value of radio spectra, including costs of ownership transfer. Radio spectrum forms a part of the electromagnetic spectrum that is allocated for telecommunication purposes (for example mobile phone coverage). Paragraph 7.103 of the IMF GFSM 2014 describes radio spectra as the range of radio frequencies used in the transmission of sound, data, and television. The government enforces ownership rights over the radio spectrum by issuing licences which constitutes the existence of an economic asset, and therefore is recognised as part of the GFS. Paragraph 7.109 of the IMF GFSM 2014 states that payment for a mobile phone license constitutes the sale of an asset, not payment for rent, when the licensee acquires effective economic ownership rights over the use of the spectrum.

Tangible non-produced assets not elsewhere classified (ETF 8112, NFAC 319)

8.189 *Tangible non-produced assets not elsewhere classified* (ETF 8112, NFAC 319) records the current market value of natural resources that cannot be classified under *land* (ETF 8112, NFAC 311); *mineral and energy resources* (ETF 8112, NFAC 312); *non-cultivated biological resources* (ETF 8112, NFAC 313); *water resources* (ETF 8112, NFAC 314); or *radio spectra* (ETF 8112, NFAC 315).

Intangible non-produced assets (ETF 8112, NFAC 32)

8.190 *Intangible non-produced assets* (ETF 8112, NFAC 32) records the current market value of intangible non-produced assets including costs of ownership transfer. Paragraph 7.104 of the IMF GFSM 2014 defines intangible non-produced assets as constructs of society evidenced by legal or accounting actions. Such assets entitle their owners to engage in certain specific activities or to produce certain specific goods or services, and to exclude other units from doing so except with the permission of the owner. The owners of the assets may be able to earn monopoly profits by restricting the use of the assets to themselves. In GFS, intangible non-produced assets are further classified as:

- *Marketable operating leases* (ETF 8112, NFAC 321);
- *Permits to use natural resources* (ETF 8112, NFAC 322);
- *Permits to undertake specific activities* (ETF 8112, NFAC 323);
- *Entitlement to future goods and services on an exclusive basis* (ETF 8112, NFAC 324);
- *Goodwill and marketing assets* (ETF 8112, NFAC 325); and
- *Intangible non-produced assets not elsewhere classified* (ETF 8112, NFAC 329).

Marketable operating leases (ETF 8112, NFAC 321)

8.191 *Marketable operating leases* (ETF 8112, NFAC 321) records the current market value of marketable operating leases, including costs of ownership transfer. Paragraph 7.108 of the IMF GFSM 2014 defines marketable operating leases as third-party property rights relating to non-financial produced assets. The lease confers economic benefits to the holder in excess of the fees payable and the holder can realise these benefits legally and practically, through transferring them. An example is where a tenant of a building has a fixed rental but the building could fetch a higher rental in the absence of the lease. If, in these circumstances, the tenant is able both legally and practically to sublet the building, then the tenant has an asset of the type of a marketable operating lease.

Permits to use natural resources (ETF 8112, NFAC 322)

8.192 *Permits to use natural resources* (ETF 8112, NFAC 322) records the current market value of permits that gives applicants the right to use natural resources, including costs of ownership transfer. Paragraph 7.109 of the IMF GFSM 2014 defines permits to use natural resources as third-party property rights relating to natural resources. An example is where an institutional unit holds a fishing quota and is able (both legally and practically) to sell this to another unit.

Permits to undertake specific activities (ETF 8112, NFAC 323)

8.193 *Permits to undertake specific activities* (ETF 8112, NFAC 323) records the current market value of permits that gives applicants the right to undertake specific activities, including costs of ownership transfer. Paragraph 7.110 of the IMF GFSM 2014 states that a permit to undertake a specific activity is an asset for the holder when:

- The permits are limited in number and so allow the holders to earn monopoly profits;
- The monopoly profits do not come from the use of an asset belonging to the permit issuer; and
- A permit holder is able both legally and practically to sell the permit to a third party.

8.194 Paragraph 7.111 of the IMF GFSM 2014 indicates that when governments restrict the number of cars entitled to operate as taxis or limit the number of casinos by issuing permits or licenses, they are in effect creating monopoly profits for the approved operators and recovering some of the profits as the fee. For government, such proceeds are classified as *other taxes on the use of goods and on permission to use goods or perform activities* (ETF 1111, TC 53, SDC) (for further information, see Chapter 6 of this manual). For the permit holder, the incentive to acquire such a license is that the licensee believes that it will thereby acquire the right to make monopoly profits at least equal to the cost of the license. This permission to create monopoly profits creates an asset for the holder if the licensee can realise these profits by on-selling the asset, that is, the license is tradeable. Licences and permits are further discussed in Chapter 13 Part H of this manual.

Entitlement to future goods and services on an exclusive basis (ETF 8112, NFAC 324)

8.195 *Entitlement to future goods and services on an exclusive basis* (ETF 8112, NFAC 324) records the current market value of entitlement to future goods and services on an exclusive basis, including costs of ownership transfer. Paragraph 7.112 states that entitlement to future goods and services on an exclusive basis relates to cases where one party that has contracted to purchase goods or services at a fixed price at a time in the future is able to transfer the obligation of the second party to the contract to a third party. An example is a publisher's exclusive right to publish new works by a named author or issue recordings by named musicians.

Goodwill and marketing assets (ETF 8112, NFAC 325)

8.196 *Goodwill and marketing assets* (ETF 8112, NFAC 325) records the current market value of goodwill and marketing assets, including costs of ownership transfer. Paragraph 7.113 of the IMF GFSM 2014 defines goodwill as the excess premium that potential purchasers of an enterprise are prepared to pay above the net value of the individually identified and valued assets and liabilities of the enterprise. This excess is described as goodwill and reflects the value of corporate structures and the value to the business of an assembled workforce and management, corporate culture, distribution networks, and customer base. It may not have value in isolation from other assets, but it enhances the value of those other assets.

8.197 Paragraph 7.114 of the IMF GFSM 2014 further states that the value of goodwill and marketing assets is the difference between the value paid for an enterprise as a going concern and the sum of its assets minus the sum of its liabilities, each item of which has been separately identified and valued. Although goodwill is likely to be present in most corporations, for reasons of reliability of measurement it is recorded in GFS only when its value is evidenced by a market transaction, usually the sale of the whole corporation. In some exceptions, identified marketing assets may be sold individually and separately from the whole corporation, in which case their value should also be classified as *goodwill and marketing assets* (ETF 8112, NFAC 325).

8.198 Included as part of the concept of *goodwill and marketing assets* (ETF 8112, NFAC 325) are items such as brand names, mastheads, trademarks, logos, and domain names.

Intangible non-produced assets not elsewhere classified (ETF 8112, NFAC 329)

8.199 *Intangible non-produced assets not elsewhere classified* (ETF 8112, NFAC 329) records the current market value of other intangible non-produced assets that are not elsewhere classified, including costs of ownership transfer.

8.200 Included as part of the concept of *intangible non-produced assets not elsewhere classified* (ETF 8112, NFAC 329) are assets other than those classified as *marketable operating leases* (ETF 8112, NFAC 321); *permits to use natural resources* (ETF 8112, NFAC 322); *permits to undertake specific activities* (ETF 8112, NFAC 323); *entitlement to future goods and services on an exclusive basis* (ETF 8112, NFAC 324); and *goodwill and marketing assets* (ETF 8112, NFAC 325).

Other non-produced assets (ETF 8112, NFAC 33 and NFAC 339)

8.201 *Other non-financial non-produced assets* (ETF 8112, NFAC 33 and NFAC 339) records the current market value of all non-financial non-produced assets other than *tangible non-produced assets* (ETF 8112, NFAC 31), and *intangible non-produced assets* (ETF 8112, NFAC 32).

Net Worth (ETF 83, ETF 831, ETF 8311)

8.202 *Net Worth* (ETF 83, ETF 831, ETF 8311) is represented by the residual amount after deducting the value of liabilities from assets in GFS.

CHAPTER 9 - TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES

PART A - INTRODUCTION

9.1 Due to the integrated nature of the GFS framework, GFS records detail on all flows that change the stock positions of assets and liabilities in the balance sheet between the beginning of a reporting period and the end of a reporting period. There are two types of flows in GFS. These are called transactions and other economic flows, both of which affect stock positions of assets and liabilities.

9.2 This chapter describes transactions that affect the stock positions of financial assets and liabilities in GFS; the valuation of transactions in financial assets and liabilities; the time of recording of transactions in financial assets and liabilities; the use of netting and the consolidation of flows in GFS; and the classification of transactions in financial assets and liabilities. Financial assets and liabilities are further discussed in Chapter 8 of this manual. Other economic flows are further discussed in Chapter 11 of this manual.

PART B - TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES

9.3 All financial assets (with the exception of monetary gold in the form of gold bullion held as reserve assets) have matching counterpart liabilities, and are discussed together in this chapter to emphasise the counterparty relationship between them. In GFS, transactions record the change in the stock positions of financial assets and liabilities, and form part of the analytical framework (see Diagram 4.1 of this manual).

9.4 Transactions that increase a unit's holdings of a financial asset are called acquisitions, while transactions that decrease a unit's holdings of a financial asset are called disposals (with the exception of amortisation). Paragraph 9.4 of the IMF GFSM 2014 defines transactions that increase liabilities as the incurrence of liabilities in GFS, and transactions that decrease liabilities as repayments, reductions, withdrawals, redemptions, liquidations, or extinguishments of liabilities.

9.5 Paragraph 9.5 of the IMF GFSM 2014 notes that transactions in financial assets and liabilities explain how net lending / net borrowing is financed by means of changes in holdings of financial assets and liabilities, that is, total financing. Paragraph 9.3 of the IMF GFSM 2014 notes the following important types of transactions:

- Transactions involving revenue, expense, the transfer of economic ownership of a good or non-financial asset, or the provision of a service or labour - these almost always entail a counterpart entry in transactions in financial assets and liabilities for means of payment or claims on future means of payment. Even many transactions in kind (such as barter transactions and remuneration in kind), could conceptually lead to counterpart transactions in financial assets and / or liabilities when the timing of the exchange does not coincide. The sale of a good, service, or asset may have as its counterpart a change in currency or transferable deposit.
- New financial claims - these are often created by transactions in which a creditor advances funds to a debtor. The creditor then acquires a financial asset and the debtor incurs a liability.
- Some transactions in financial assets and liabilities are simply exchanges of financial instruments.
- Financial claims terminated by transactions - in some cases, the debtor pays the creditor the funds stipulated by the financial instrument, thereby terminating the claim. In other cases, the debtor buys its own instrument in the market.
- Accrued interest - this is deemed to be reinvested in an additional quantity of the underlying financial instrument by means of a transaction.
- The trading and settlement of financial derivative contracts.

PART C - VALUATION OF TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES

9.6 In Australian GFS, the value of an acquisition or disposal of an existing financial asset or liability is its exchange value, which is the current market value. For debt instruments, the market value is conceptually equal to the required future payments of principal and contractual interest discounted at the existing market yield. The use of the current market value as the basis of the valuation of transactions in financial assets and liabilities in GFS is in line with the creditor approach. The creditor approach assumes that future interest expense is recalculated each time there is a change in the interest rate. An increase in the market interest rate leads to a decrease in the market value of the instrument for the creditor, and a corresponding holding gain for the debtor. If there are no further changes in the interest rate, then the gradual increases in the market value of the instrument over the remaining period will be treated as *other interest expenses not elsewhere classified* (ETF 1279, COFOG-A, SDC). The valuation of financial assets and liabilities (including the current market value and the creditor approach) is further discussed in Chapter 8 Part D of this manual.

9.7 The value of transactions in financial assets can sometimes be determined by the value of the counterpart transaction. For example, the initial value of a loan resulting from a financial lease is the current market value of the non-financial asset that is leased. The value of an account payable resulting from the purchase of goods or services is the current market value of the goods acquired or services received.

Service charges, fees and commissions on transactions in financial assets and liabilities

9.8 All service charges, fees, commissions, and similar payments for services provided in carrying out transactions in financial assets and liabilities, and any taxes payable on transactions in financial assets and liabilities are excluded from the value of the transaction in the financial asset or liability. Paragraph 9.8 of the IMF GFSM 2014 indicates that this is because these are expenses and should be recorded as *use of goods and services* (ETF 1233, COFOG-A, SDC) in GFS.

The valuation transactions in financial assets and liabilities in foreign currency

9.9 For Australian GFS purposes, the value of transactions expressed in a foreign currency need to be converted to the domestic currency using the midpoint of the buying and selling exchange rates at the time that the transaction takes place. If a transaction expressed in a foreign currency involves the creation of a financial asset or liability, such as other accounts receivable / payable, and is followed by a second transaction in the same foreign currency that extinguishes the financial asset or liability, then both transactions are valued at the exchange rates effective when each takes place. Any difference in the value of the portion between the two transactions due to changes in the exchange rate is recorded as *holding gains and losses on financial assets* (ETF 5111, FALC) or *holding gains and losses on liabilities* (ETF 5113, FALC).

The valuation of transactions in financial assets and liabilities in international statistics

9.10 The IMF GFSM 2014 and the 2008 SNA value transactions in debt instruments using the nominal value, under the debtor approach. The nominal value is conceptually equal to the required future payments of principal and interest discounted at the contractual interest rate. The debtor approach assumes that interest payments are fixed in advance, and accrued interest is determined using the original yield-to-maturity which is established at the time of the security issuance. In contrast to the international standards, the ABS considers the current market value (under the creditor approach) as a more accurate measurement of the value of assets and transactions in financial assets and liabilities.

9.11 The essential difference between nominal value and the market value is the use of current yield instead of contractual rates as the discount rate applicable. The use of historical (contractual) interest rates under the nominal value to determine current valuation is not supported in Australian macroeconomic statistics. The ABS departs from the international standards and applies the market valuation principle in all circumstances in ABS economic statistics.

PART D - TIME OF RECORDING TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES

9.12 Transactions in financial assets and liabilities are recorded when the economic ownership of the asset or liability changes. That is, when the asset is created or liquidated, or when the addition or reduction in the amount of the financial instrument is made. Paragraph 9.13 of the IMF GFSM 2014 indicates that the time of recording of financial assets or liabilities is usually clear when the transaction involves an exchange of existing financial assets, or simultaneous creation or extinction of a financial asset and a liability. In most cases, this will be when a contract is signed, or when money or some other financial asset is paid by the creditor to the debtor or repaid by the debtor to the creditor.

9.13 Paragraph 9.14 of the IMF GFSM 2014 further states that the parties to a transaction may sometimes perceive economic ownership to change on different dates because they acquire the documents evidencing the transaction at different times. This variation is usually caused by the process of clearing cheques or e-payment transactions or the length of time these are in transit. The amounts involved may be substantial in the case of transferable deposits and other accounts receivable or payable. If there is disagreement on when a transaction takes between two general government units or a government unit and a public corporation, the date on which the creditor receives the payment is taken to be the date of record because a financial claim exists up to the point that the payment is cleared and the creditor has control of the funds.

9.14 When a transaction in a financial asset or liability involves a non-financial component, paragraph 9.15 of the IMF GFSM 2014 recommends that the time of recording is determined by the non-financial component. For example, when a sale of goods or services gives rise to a trade credit, the transaction should be recorded when economic ownership of the goods is transferred, or when the service is provided. When a financial lease is created, the loan implicit in the transaction is recorded when control over the non-financial produced asset changes. A financial lease is defined as a contract under which the lessor (as the legal owner of an asset), conveys all the risks and rewards of ownership of the asset to the lessee. Under this arrangement, the lessor provides an imputed loan which allows the lessee to acquire the risks and the rewards of the asset, but the lessor retains the legal title (ownership) of the asset. The lessor will record a loan (corresponding to the market value of the leased asset) to the lessee on their balance sheet, and the lessee will record both the market value of the leased asset and an equivalent loan liability on their balance sheet when the lease is signed, or economic control of the asset changes hands.

9.15 Some transactions, such as the accrual of interest expense, take place continuously in concept. In this case, the transaction in the associated financial asset or liability also takes place continuously in concept, and a summation of these continuous amounts is recorded as transactions for the period or balance at the end of the period.

PART E - CONSOLIDATION OF FLOWS FOR TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES

9.16 Consolidation is a method of presenting statistics for a set of units (or entities) as if they constituted a single unit. Paragraph 9.18 of the IMF GFSM 2014 states that a consolidated set of accounts for a unit (or group of units) is produced by an aggregation of all flows and stock positions within an agreed analytical framework, followed by the elimination of all flows and stock positions that represent relationships among the units or entities being consolidated. In other words, a transaction or stock holding of one unit is paired with the corresponding transaction or stock holding recorded for the second unit, and then the paired transactions or stock holdings are eliminated from the aggregates for the group.

9.17 Transactions in financial assets are eliminated when the two parties to the transaction are units that are being consolidated. An example shown in paragraph 9.19 of the IMF GFSM 2014 notes that if a local government unit purchases a security issued by the central government, both the acquisition of the financial asset and the incurrence of the liability would disappear in a presentation of statistics for the entire general government sector but not in a presentation of either the central or the local government subsector separately.

9.18 A further example of consolidation can be shown when compiling accounts for the public sector as a whole. If a general government unit owns a bond issued by a public financial corporation, then the stocks of the bond held as assets of the general government unit and the counterpart bond liability of the public financial corporation are eliminated from the aggregates for bond assets and liabilities of the public sector. Similarly, interest revenues and interest expenses related to the bond are also eliminated from the relevant public sector aggregates.

PART F - THE CLASSIFICATION OF TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES

9.19 In Australian GFS, input data is sourced from the financial accounts of the state and territory treasuries, the Department of Finance, local government units, and universities. This input data is classified to the GFS framework using a variety of input classifications in order to produce the variety of output statements that the ABS publish on a quarterly and annual basis.

9.20 Detailed data on transactions in financial assets and liabilities by type of financial asset and liability are used to populate the statement of stocks and flows and the statement of stocks and flows of financial assets by source, for the Commonwealth general government, state and territory general government, and local general government sectors. The statement of stocks and flows and the statement of stocks and flows of financial assets by source are further discussed in Chapter 15 of this manual.

9.21 In order to record the requisite level of detail on *transactions in financial assets and liabilities* (ETF 3) for GFS purposes, a number of classifications must be used, including the:

- Financial asset and liability classification (FALC) - this identifies financial assets and liabilities by type of asset / liability (for further information on the FALC, see paragraphs 4.53 to 4.58, 8.54 to 8.109, and Appendix 1, paragraph A1A.239 to A1A.291).
- Source destination classification (SDC) - the asset SDC identifies the sector in which the asset is held and the liability SDC identifies the sector against which the liability is held. Further information on the SDC can be found in paragraphs 4.47 to 4.52 and Appendix 1, paragraph A1A.4.

9.22 The detailed classification of transactions in financial assets and liabilities is shown in Table 9.1 below. This shows a hierarchical classification of transactions in financial assets and liabilities, and the additional classification codes required to populate the GFS statement of stocks and flows and the statement of stocks and flows of financial assets by source for output purposes.

Table 9.1 - The detailed classification of transactions in financial assets and liabilities

Descriptor	Classification codes
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES	**ETF 3 FALC 1 SDC**
TRANSACTIONS IN FINANCIAL ASSETS (NET)	**ETF 31 FALC 1 SDC**
Transactions in financial assets (net)	**ETF 311 FALC 1 SDC**
Transactions in currency and deposits	**ETF 3111 FALC 11 SDC**
Transactions in financial assets cash and deposits	ETF 3111 FALC 111 SDC
Transactions in Special Drawing Rights (SDRs)	ETF 3111 FALC 112 SDC 130
Transactions in monetary gold (bullion)	ETF 3111 FALC 113
Transactions in monetary gold (allocated and unallocated)	ETF 3111 FALC 113 SDC 130
Transactions in securities and related assets	**ETF 3111 FALC 12 SDC**
Transactions in debt securities	ETF 3111 FALC 121 SDC

Transactions in financial derivatives	ETF 3111 FALC 122 SDC
Transactions in employee stock options	ETF 3111 FALC 123 SDC
Transactions in equity including contributed capital	ETF 3111 FALC 124 SDC
Transactions in investment fund shares or units	ETF 3111 FALC 125 SDC
Transactions in loans and placements	**ETF 3111 FALC 13 SDC**
Transactions in finance leases	ETF 3111 FALC 131 SDC
Transactions in advances - concessional loans	ETF 3111 FALC 132 SDC
Transactions in advances other than concessional loans	ETF 3111 FALC 133 SDC
Transactions in other loans and placements not elsewhere classified	ETF 3111 FALC 139 SDC
Transactions in insurance, superannuation and standardised guarantee schemes	**ETF 3111 FALC 14 SDC**
Transactions in non-life insurance technical reserves	ETF 3111 FALC 141 SDC
Transactions in life insurance and annuities entitlements	ETF 3111 FALC 142 SDC
Transactions in provisions for defined benefit superannuation*	ETF 3111 FALC 143 SDC
Transactions in claims of superannuation funds on superannuation manager	ETF 3111 FALC 144 SDC
Transactions in provisions for calls under standardised guarantee schemes	ETF 3111 FALC 145 SDC
Transactions in other financial assets	**ETF 3111 FALC 15 SDC**
Transactions in provisions for employee entitlements other than superannuation*	ETF 3111 FALC 151 SDC
Transactions in accounts receivable	ETF 3111 FALC 152 SDC
Transactions in other financial assets not elsewhere classified	ETF 3111 FALC 159 SDC
TRANSACTIONS IN LIABILITIES (NET)	**ETF 32 FALC 2 SDC**

Transactions in liabilities (net)	**ETF 321 FALC 2 SDC**
Transactions in currency and deposits	**ETF 3211 FALC 21 SDC**
Transactions in cash and deposits	ETF 3211 FALC 211 SDC
Transactions in Special Drawing Rights (SDRs)	ETF 3211 FALC 212 SDC 130
Transactions in securities and related liabilities	**ETF 3211 FALC 22 SDC**
Transactions in debt securities	ETF 3211 FALC 221 SDC
Transactions in financial derivatives	ETF 3211 FALC 222 SDC
Transactions in employee stock options	ETF 3211 FALC 223 SDC
Transactions in equity including contributed capital	ETF 3211 FALC 224 SDC
Transactions in investment fund shares or units	ETF 3211 FALC 225 SDC
Transactions in loans and placements	**ETF 3211 FALC 23 SDC**
Transactions in finance leases	ETF 3211 FALC 231 SDC
Transactions in advances - concessional loans	ETF 3211 FALC 232 SDC
Transactions in advances other than concessional loans	ETF 3211 FALC 233 SDC
Transactions in other loans and placements not elsewhere classified	ETF 3211 FALC 239 SDC
Transactions in insurance, superannuation and standardised guarantee schemes	**ETF 3211 FALC 24 SDC**
Transactions in non-life insurance technical reserves	ETF 3211 FALC 241 SDC
Transactions in life insurance and annuities entitlements	ETF 3211 FALC 242 SDC
Transactions in provisions for defined benefit superannuation	ETF 3211 FALC 243 SDC
Transactions in claims of superannuation funds on superannuation manager	ETF 3211 FALC 244 SDC

Transactions in provisions for calls under standardised guarantee schemes	**ETF 3211** **FALC 245** **SDC**
Transactions in other liabilities	**ETF 3211** **FALC 25** **SDC**
Transactions in provisions for employee entitlements other than superannuation	**ETF 3211** **FALC 251** **SDC**
Transactions in accounts payable	**ETF 3211** **FALC 252** **SDC**
Transactions in other liabilities not elsewhere classified	**ETF 3211** **FALC 259** **SDC**

***In Australian GFS, only the net liability position exists. The asset position is maintained for conceptual completeness to align with the international standards and will report a zero balance.**

9.23 As stated in paragraph 9.3 of this manual, financial assets and liabilities are discussed together in this chapter to emphasise the counterparty relationship between them. As can be seen from Table 9.1, transactions in financial assets and liabilities are classified using the *transactions in financial assets and liabilities* (ETF 3) classification which provides the broad framework. Transactions in financial assets and liabilities are further classified by the FALC to identify the type of financial asset and liability. An appropriate SDC code must be selected to identify the source or destination of transactions in financial assets and liabilities. The letters and numbers in brackets that appear after each classification category in the below paragraphs signify the GFS classification codes related to each category.

Transactions in financial assets (net) (ETF 3111, FALC 1, SDC) and liabilities (net) (ETF 3211, FALC 2, SDC)

9.24 These items record the current market value of the transactions in financial assets and liabilities of public sector units. In GFS, all transactions in financial assets (except for monetary gold in the form of gold bullion held as reserve assets) have counterpart liabilities (see paragraphs 8.64 to 8.66 of Chapter 8 of this manual for further information on monetary gold). In GFS, transactions in financial assets and liabilities are classified as:

- Transactions in currency and deposits (ETF 3111, FALC 11, SDC and ETF 3211, FALC 21, SDC);
- Transactions in securities and related assets / liabilities (ETF 3111, FALC 12, SDC and ETF 3211, FALC 22, SDC);
- Transactions in loans and placements (ETF 3111, FALC 13, SDC and ETF 3211, FALC 23, SDC);
- Transactions in insurance, superannuation, and standardised guarantee schemes (ETF 3111, FALC 14, SDC and ETF 3211, FALC 24, SDC); and
- Transactions in other financial assets / liabilities (ETF 3111, FALC 15, SDC and ETF 3211, FALC 25, SDC).

Transactions in currency and deposits (ETF 3111, FALC 11, SDC and ETF 3211, FALC 21, SDC)

9.25 *Transactions in currency and deposits* (ETF 3111, FALC 11, SDC and ETF 3211, FALC 21, SDC) record the current market value of transactions in cash and types of deposits. In GFS, transactions in cash and deposits are further identified as:

- Transactions in cash and deposits (ETF 3111, FALC 111, SDC and ETF 3211, FALC 211, SDC)
- Transactions in Special Drawing Rights (SDRs) (ETF 3111, FALC 112, SDC 130 and ETF 3211, FALC 212, SDC 130);
- Transactions in monetary gold (bullion) (ETF 3111, FALC 113); and
- Transactions in monetary gold (allocated and unallocated) (ETF 3111, FALC 114, SDC 130, and ETF 3211, FALC 211, SDC 130)

Transactions in cash and deposits (ETF 3111, FALC 111, SDC and ETF 3211, FALC 211, SDC)

9.26 *Transactions in cash and deposits* (ETF 3111, FALC 111, SDC and ETF 3211, FALC 211, SDC) record the current market value of transactions in cash and deposits as financial assets and liabilities. Paragraph 9.34 of the IMF GFSM 2014 specifies that currency in the form of cash is treated as a liability of the unit that issues the currency. In Australia, currency in the form of cash consists of notes issued by the Reserve Bank of Australia, and coins issued by the Australian Treasurer. When new currency is put into circulation, a transaction is recorded that increases the unit's liability for currency. Usually, the counterpart to the increase in liabilities is an increase in the unit's financial assets, most likely deposits.

9.27 Seigniorage profits (i.e. the difference between the value of currency issued and its costs of production, including the costs of base metals) for the issuer of currency are implicitly included as part of *transactions in cash and deposits* (ETF 3111, FALC 111, SDC) and are not treated as revenue. Transactions in gold and commemorative coins that do not circulate as legal tender are treated as *acquisitions of non-financial assets (change in inventories)* (ETF 4111, NFAC 21, COFOG-A), or *acquisitions of non-financial assets (valuables)* (ETF 4111, NFAC 22, COFOG-A) rather than currency. The cost of producing new currency is an expense transaction that is unrelated to the value of transactions in cash.

9.28 Paragraph 9.35 of the IMF GFSM 2014 notes that transactions in unallocated accounts for precious metals (including gold) are classified as deposits, except for transactions between two monetary authorities (these are central banks, in Australia's case this is the Reserve Bank of Australia) in unallocated gold accounts for reserves purposes. If a monetary authority acquires an unallocated gold account from a non-monetary authority, the transaction is recorded as a *transaction in financial assets (cash and deposits)* (ETF 3111, FALC 111, SDC) and then reclassified as monetary gold (allocated and unallocated) via an *other changes in the volume of financial assets - monetary gold (allocated and unallocated)* (ETF 5211, FALC 114) entry in the accounts. Further information on cash and deposits can be found in paragraphs 8.58 to 8.62 of this manual. Further information on other changes in the volume of assets can be found in Chapter 11 of this manual.

Transactions in Special Drawing Rights (SDRs) (ETF 3111, FALC 112, SDC 130 and ETF 3211, FALC 212, SDC 130)

9.29 *Transactions in Special Drawing Rights* (SDRs) (ETF 3111, FALC 112, SDC 130 and ETF 3211, FALC 212, SDC 130) record the current market value of transactions in Special Drawing Rights (SDRs) in the form of financial assets (ETF 3111, FALC 112, SDC 130) and liabilities (ETF 3211, FALC 212, SDC 130) held by the Commonwealth Government of Australia. SDRs are international reserve assets created by the International Monetary Fund (IMF) and allocated to its members to supplement reserve assets.

9.30 Paragraph 9.31 of the IMF GFSM 2014 states that SDRs are held exclusively by participants of the IMF's SDR Department and prescribed holders, and are transferable among them. The creation of SDRs (referred to as allocations of SDRs) and the extinction of SDRs (cancellations of SDRs) are recorded as transactions in GFS. Transactions in SDRs take place when a holder exercises its right to obtain foreign exchange (or other reserve assets) from other participants and prescribed holders, and when SDRs are sold, loaned, or used to settle financial obligations.

9.31 Paragraph 9.32 of the IMF GFSM 2014 notes that at the time of the SDR allocation, the amounts recorded as SDR allocations (liabilities) and holdings (financial assets) are identical. In Australia's case, holdings of SDRs are held by the Reserve Bank of Australia (RBA) as reserve assets, and allocations of SDRs are held against the Commonwealth Treasury. The RBA (as official holder of SDR assets) is able to exchange some (or all) of its SDR holdings with other official holders for a freely usable currency(ies). Transactions in SDRs (and the resulting stock positions) are recorded at their gross amounts in GFS. Further information on SDRs can be found in paragraph 8.63 of this manual.

Transactions in monetary gold (bullion) (ETF 3111, FALC 113, SDC 130) (asset only)

9.32 *Transactions in monetary gold (bullion)* (ETF 3111, FALC 113, SDC 130) records the current market value of transactions in gold in the form of bullion that is held as reserve assets. Monetary gold in the form of bullion is a type of financial asset that has no counterpart liability in GFS. Paragraph 7.128 of the IMF GFSM 2014 states that gold bullion takes the form of coins, ingots or bars with a purity of at least 995 parts per

1000. Paragraph 9.28 of the IMF GFSM 2014 indicates that transactions in monetary gold are the exclusive responsibility of monetary authorities, which will normally be the central bank (in Australia's case, this is the Reserve Bank of Australia).

9.33 Paragraph 9.29 of the IMF GFSM 2014 notes that transactions in monetary gold held as reserve assets can only take place between two monetary authorities (in Australia's case, this is the Reserve Bank of Australia), or between a monetary authority and an international financial organisation (such as the IMF, or the World Bank). If the monetary authority adds to its holdings of monetary gold by acquiring newly mined gold or existing gold offered on the private market, then the gold so acquired is said to have been monetised. In this case, no transaction in financial assets should be recorded. Instead, the acquisition of the gold should first be recorded as *transactions in non-financial assets (net) - valuables* (ETF 4114, NFAC 221, COFOG-A, SDC), and then reclassified as monetary gold through an *other changes in volume of financial assets - monetary gold (bullion)* (ETF 5211, FALC 113, SDC 130) entry in the accounts. Further information on monetary gold (bullion) can be found in paragraphs 8.64 to 8.66 of this manual. Other economic flows are further discussed in Chapter 11 of this manual.

Transactions in monetary gold (allocated and unallocated) (ETF 3111, FALC 114, SDC 130 and ETF 3211, FALC 211, SDC 130)

9.34 *Transactions in monetary gold (allocated and unallocated)* (ETF 3111, FALC 114, SDC 130 and ETF 3211, FALC 211, SDC 130) records the current market value of transactions in monetary gold in the form of allocated and unallocated gold accounts held as reserve assets. Paragraph 7.127 of the IMF GFSM notes that allocated gold accounts provide ownership of a specific piece of gold. Transactions in unallocated gold accounts represent a claim against the account custodian to deliver gold. For these accounts, the account provider holds title to a reserve base of physical gold and issues claims to account holders denominated in gold. When held as reserve assets, transactions in allocated gold accounts are classified as *transactions in financial assets (net) - monetary gold (allocated and unallocated)* (ETF 3111, FALC 114, SDC 130) with the counterpart liability recorded as *transactions in liabilities (net) (cash and deposits)* (ETF 3211, FALC 211, SDC 130). Further information on monetary gold (allocated and unallocated) can be found in paragraph 8.66 of this manual.

Transactions in securities and related assets / liabilities (ETF 3111, FALC 12, SDC and ETF 3211, FALC 22, SDC)

9.35 *Transactions in securities and related assets / liabilities* (ETF 3111, FALC 12, SDC and ETF 3211, FALC 22, SDC) record the current market value of transactions in public sector securities and related financial assets and liabilities. In GFS, transactions securities and related assets and liabilities are further identified as:

- Transactions in debt securities (ETF 3111, FALC 121, SDC and ETF 3211, FALC 221, SDC);
- Transactions in financial derivatives (ETF 3111, FALC 122, SDC and ETF 3211, FALC 222, SDC);
- Transactions in employee stock options (ETF 3111, FALC 123, SDC and ETF 3211, FALC 223, SDC);
- Transactions in equity including contributed capital (ETF 3111, FALC 124, SDC and ETF 3211, FALC 224, SDC); and
- Transactions in investment fund shares or units (ETF 3111, FALC 125, SDC and ETF 3211, FALC 225, SDC).

Transactions in debt securities (ETF 3111, FALC 121, SDC and ETF 3211, FALC 221, SDC)

9.36 *Transactions in debt securities* (ETF 3111, FALC 121, SDC and ETF 3211, FALC 221, SDC) record the current market value of transactions in debt securities in the form of financial assets (ETF 3111, FALC 121, SDC) and liabilities (ETF 3211, FALC 221, SDC). In Australian GFS, debt instruments are valued at the current market value using the creditor approach. Transactions in debt securities include transactions in bills, bonds, debentures, negotiable certificates of deposit, asset-backed securities, etc.

9.37 If arrears arise and the contract provides for a change in the characteristics of a financial instrument when it goes into arrears, this change is recorded as *transactions in debt securities* (ETF 3111, FALC 121, SDC and ETF 3211, FALC 221, SDC) in Australian GFS. The treatment applies to situations where the original contract remains, but the terms within it changes (for example, interest rates or repayment periods). Note that the Australian GFS departs from the international standards in this respect. Paragraph 10.84 of the IMF GFSM 2014 recommends that changes in the characteristics of financial instruments when they go into arrears be recorded as reclassifications of financial assets / liabilities through an other change in the volume of assets and liabilities entry in the accounts rather than transactions.

9.38 Bonds that are convertible into preference shares are recorded as *transactions in debt securities* (ETF 3111, FALC 121, SDC and ETF 3211, FALC 221, SDC) in the Australian GFS when the option is exercised. Note that the Australian GFS departs from the international standards in this respect. Paragraph 10.84 of the IMF GFSM 2014 recommends that when the option is exercised, the bonds are reclassified as equity and investment fund shares through an other changes in the volume of assets entry.

9.39 In cases where general government units issue negotiable securities that sell in secondary markets, the holders of the security may change during the life of the security. In Australian GFS, this change in the debtor / creditor relationship is recorded as *transactions in debt securities* (ETF 3111, FALC 121, SDC and ETF 3211, FALC 221, SDC). Note that the Australian GFS departs from the international standards in this respect. Paragraph 10.79 of the IMF GFSM recommends this change in the debtor / creditor relationship be recorded as a reclassification under other changes in the volume of assets and liabilities. Debt securities are further discussed in paragraphs 8.68 to 8.69, and Chapter 13 Part B of this manual.

Transactions in financial derivatives (ETF 3111, FALC 122, SDC and ETF 3211, FALC 222, SDC)

9.40 *Transactions in financial derivatives* (ETF 3111, FALC 122, SDC and ETF 3211, FALC 222, SDC) record the current market value of transactions in financial derivative assets (ETF 3111, FALC 122, SDC) and financial derivative liabilities (ETF 3211, FALC 222, SDC). Paragraph 9.70 of the IMF GFSM 2014 notes that transactions involving financial derivatives may arise at inception, on secondary markets, with ongoing servicing (such as for margin payments), and at settlement. In Australian GFS, transactions in financial derivatives include transactions in repurchase agreements and gold swaps.

9.41 Paragraph 9.70 of the IMF GFSM 2014 further indicates that any commission payable to brokers or other intermediaries for arranging a financial derivatives contract is treated as a payment for a service in GFS. In many cases, however, financial derivatives transactions involve implicit service charges and it is usually not possible to estimate the service element. In such cases, the entire value of the transaction should be treated as *transactions in financial derivatives* (ETF 3111, FALC 122, SDC and ETF 3211, FALC 222, SDC). Financial derivatives are further discussed in paragraphs 8.70 to 8.72, and Chapter 13 Part B of this manual.

9.42 If the amount payable under a derivative remains due for payment after the derivative matures, the amount due no longer represents a derivative because the value is fixed. In Australian GFS, this amount is recorded as *transactions in financial derivatives* (ETF 3111, FALC 122, SDC and ETF 3211, FALC 222, SDC). Note that the Australian GFS departs from the international standards in this respect. Paragraph 10.84 of the IMF GFSM 2014 recommends that the derivative is reclassified under other accounts receivable or payable through an other changes in the volume of assets entry in the accounts. Financial derivatives are further discussed in Chapter 13 Part B of this manual.

9.43 Box 9.1 below contains information on recording transactions in financial derivatives and is based on paragraphs 9.71 to 9.76 of the IMF GFSM 2014:

Box 9.1 - Recording transactions in financial derivatives

1. At inception:

- **The creation of a forward-type contract does not generally require the recording of a transaction in a financial derivative because risk exposures of equal value are usually being exchanged. That is, there is usually zero exposure and zero value for both sides. In some cases, however, there may be a non-zero transaction value at issue, such as with off -market swaps. (In addition, there may be a service charge for the issue.)**

- **The purchaser of an option pays a premium to the seller, which is the acquisition price of the instrument. Sometimes a premium is paid after the inception of the contract. In that case, the value of the premium is recorded at the inception of the contract in the same manner as if it had been paid then, but is shown as being financed by other accounts receivable/ payable between the writer and the purchaser.**

2. Subsequent changes in the prices of derivatives are recorded as holding gains or losses, not as transactions.

3. Sales of options in secondary markets (whether exchanges or over the counter) are valued at market prices and recorded as transactions in financial derivatives.

4. When a contract requires ongoing servicing (such as an interest rate swap) and a cash payment is received, there is a decrease (increase) in a financial derivative asset (liability) if, at the time of the payment, the contract is in an asset (liability) position. If GFS compilers are unable to implement this approach because of market practice, all cash receipts should be recorded as reductions in financial assets, and all cash payments should be recorded as decreases in liabilities.

5. Margins are payments of cash or deposits of collateral that cover actual or potential obligations incurred through financial derivatives, especially futures or exchange-traded options. Repayable margins in cash are classified as transactions in deposits or other accounts receivable / payable, and non-repayable margins are classified as transactions in financial derivatives.

6. At settlement, either a cash payment is made or an underlying item is delivered:

- **When a financial derivative is settled in cash, a transaction equal to the cash value of the settlement is recorded for the derivative. In most instances, when a cash settlement payment is received, a reduction in a financial derivative asset is recorded. When a cash settlement payment is made, a reduction of a financial derivative liability is recorded.**

- **When an underlying item is delivered, two transactions are recorded:**

  i. **The transaction involving the underlying item is valued at the market price at the time. The entry for the underlying item is recorded under the relevant heading (goods, financial instrument, etc.); and**

  ii. **The transaction involving the derivative is valued as the difference, multiplied by the quantity, between the market price for the underlying item and the strike price specified in the derivative contract.**

- **When more than one contract is settled in cash, at the same time, and with the same counterparty, some of the contracts being settled may be in asset positions, while others may be in liability positions. In this situation, transactions involving assets should be recorded separately from those involving liabilities, wherever possible, but net settlements are acceptable when gross reporting is impractical.**

- **Alternatively, a derivative (options, in particular) may expire worthlessly.**

Source: Based on paragraphs 9.71 to 9.76 of the International Monetary Fund Government Finance Statistics Manual, 2014

Transactions in employee stock options (ETF 3111, FALC 123, SDC and ETF 3211, FALC 223, SDC)

9.44 *Transactions in employee stock options* (ETF 3111, FALC 123, SDC and ETF 3211, FALC 223, SDC) record the current market value of transactions in employee stock options in the form of financial assets (ETF 3111, FALC 123, SDC) and liabilities (ETF 3211, FALC 223, SDC). As stated in paragraph 8.73 of this manual, employee stock options are defined as options to buy the equity of an entity, that are offered to employees of that entity as a form of remuneration. Paragraph 9.77 of the IMF GFSM 2014 notes that general government units are unlikely to issue stock options. Only entities with issued share capital can create employee stock options, so they may only arise for public corporations in Australian GFS. An employee stock option is created on a given date (known as the grant date), providing that an employee may purchase a given number of shares of the employer's stock at a stated price (known as the strike price), either at a stated time (known as the vesting date) or within a period of time (known as the exercise period) immediately following the vesting date.

9.45 At the grant date, paragraph 9.78 of the IMF GFSM 2014 recommends that *transactions in employee stock options* (ETF 3211, FALC 223, SDC) be recorded as the corresponding entry to *wages and salaries in kind* (ETF 1222, COFOG-A, SDC). The value of the employee stock options recorded as compensation of employees should be spread over the period between the grant and vesting dates, if possible. Any change in the value of the employee stock options between the grant and vesting date should be classified as *holding gains and losses on financial assets / liabilities* (ETF 5111 or ETF 5113, FALC).

9.46 When the option is exercised, paragraphs 9.79 and 9.80 of the IMF GFSM 2014 recommend that the transaction in the employee stock option is recorded at a value that reflects the difference between the market price of the equity and the price paid by the buyer for the equity. Any change in the value between vesting date and exercise date is not treated as compensation of employees but as a holding gain or loss. In practice, it is unlikely that estimates of the costs of employee stock options to the employers are revised between the grant date and the exercise date. For pragmatic reasons, therefore, the whole of the increase between grant date and exercise date is treated as a holding gain or loss. Cancellation of employee stock options are recorded as other changes in the volume of assets. Further information on employee stock options can be found in paragraphs 8.73 to 8.76 of this manual. Holding gains and losses and other changes in the volume of assets are further discussed in Chapter 11 of this manual.

Transactions in equity including contributed capital (ETF 3111, FALC 124, SDC and ETF 3211, FALC 224, SDC)

9.47 *Transactions in equity including contributed capital* (ETF 3111, FALC 124, SDC and ETF 3211, FALC 224, SDC) record the current market value of transactions in equity (including contributed capital) in the form of financial assets (ETF 3111, FALC 124, SDC) and liabilities (ETF 3211, FALC 224, SDC). Paragraph 9.47 of the IMF GFSM 2014 states that the treatment of transactions in publicly traded shares is generally straightforward, however, problems may be created by the operations of quasi-corporations and public corporations.

9.48 Paragraph 9.48 of the IMF GFSM 2014 notes that additions to the funds and other resources of a quasi-corporation (including in-kind transfers of non-financial assets) are treated as acquisitions of equity by the owner of the quasi-corporation. This includes new finance made available for use by the enterprise in purchasing non-financial produced assets, accumulating inventories, acquiring financial assets, or redeeming liabilities. Similarly, receipt by the owner of proceeds from sales of any of the quasi-corporation's assets, transfers in kind from the quasi-corporation, and withdrawals by the owner of accumulated retained earnings of the quasi-corporation are treated as reductions in equity assets by the owner. Liquidating dividends payable to shareholders when an enterprise becomes bankrupt (or is otherwise wound up) should also be recorded as withdrawal of equity.

9.49 For government units, paragraph 9.49 of the IMF GFSM 2014 indicates that regular transfers to corporations or quasi-corporations to cover persistent operating deficits are classified as either *subsidies on products* (ETF 1252, COFOG-A, SDC) or *other subsidies on production* (ETF 1253, COFOG-A, SDC), but if payments from government are irregular and are made to cover accumulated losses or exceptional losses due to factors outside the control of the enterprise, then they are treated as a capital transfer under *other capital transfers not elsewhere classified* (ETF 1269, COFOG-A, SDC). If government makes a transfer to a public corporation to finance all (or part) of the costs to finance its acquisition of non-financial assets, this also is recorded as equity unless there is no reasonable expectation of a sufficient rate of return on the investment, in which case the transfer is recorded as *other capital transfers not elsewhere classified* (ETF 1269, COFOG-A, SDC). Regular withdrawals of the income from public corporations or quasi-corporations are property income under, respectively, *dividend income* (ETF 1132, SDC) or *withdrawals of income from quasi-corporations* (ETF 1133, SDC). The exception occurs when dividends are disproportionately large relative to the recent level of dividends and earnings (referred to as super dividends). Any dividends declared greatly in excess of the recent level of dividends and earnings should be treated as a transaction of withdrawal of owners' equity via *transactions in financial assets (net) - equity including contributed capital* (ETF 3111, FALC 124, SDC or ETF 3211, FALC 224, SDC) from the public corporation. This will be the case for distributions by public corporations to shareholders of proceeds from privatisation receipts and other sales of assets and large and exceptional one-off payments based on accumulated reserves or holding gains.

9.50 Government units may acquire equity in a public corporation or quasi-corporation as a result of legislation or an administrative change creating the corporation or quasi-corporation. Paragraph 9.50 of the IMF GFSM 2014 notes that in some cases, this event will amount to a reclassification of existing assets and liabilities, which is recorded as an other economic flow that results in an addition of equity to the government unit's balance sheet. An advance of funds to create the new enterprise is a transaction reflecting the purchase of equity. Retained earnings of a foreign direct investment enterprise are treated as if they were distributed and remitted to foreign direct investors in proportion to their ownership of the equity of the enterprise and then reinvested by them by means of additions to equity. Further information on equity including contributed capital can be found in paragraphs 8.77 to 8.78 of this manual.

Membership dues and subscription fees to international organisations

9.51 Membership dues and subscription fees payable to international organisations are treated as *transactions in equity including contributed capital* (ETF 3211, FALC 224, SDC) in cases when there is a possibility (even if unlikely) of repayment of the residual value of the international organisation after the claims of all creditors have been met. If there is an exchange of a payment to an international organisation for some kind of a service, then the payments are treated as *use of goods and services* (ETF 1233, COFOG-A, SDC). If there is nothing received in return for payments to international organisations, then the payments are treated as a transfer under *current grant expenses* (ETF 1251, COFOG-A, SDC 929). Paragraph 9.52 of the IMF GFSM 2014 further states that a capital contribution to an international organisation or non-profit institution is treated as *capital grant expenses* (ETF 1261, COFOG-A, SDC 929) if it does not give rise to equity for the provider of the contribution.

Privatisation of government units

9.52 The term 'privatisation' is used to describe the disposal of the controlling equity of a public corporation or quasi-corporation to private owners by a government unit or a public corporation. Paragraph 9.53 of the IMF GFSM 2014 states that such a disposal is treated as a transaction in equity, and the public corporation is reclassified to a private corporation through an entry in other changes in the volume of assets and liabilities. Further information on other changes in the volume of assets and liabilities is found in Chapter 11 of this manual. If a public corporation or quasi-corporation sells some of its assets and provides part or all of the proceeds to its parent government unit, then the provision of the proceeds would also be a disposal of equity of the government unit. Brokers' commissions and other privatisation costs are treated as expense transactions, just as all other costs of ownership transfer related to the acquisition or disposal of a financial asset. Further information on the costs of ownership transfer can be found in Chapter 8 of this manual.

9.53 Paragraph 9.54 of the IMF GFSM 2014 notes that government units also can be privatised. If the assets disposed of as a single transaction constitute a complete institutional unit, the transaction should be classified as a sale of equity. The government is assumed to have converted the unit to a quasi-corporation immediately prior to disposal by means of a reclassification of assets, which should be recorded as an other economic flow. If the assets disposed of do not constitute a complete institutional unit, then the transactions should be classified as a disposal of the individual non-financial and / or financial assets.

9.54 The term 'nationalisation' is sometimes used to described the acquisition of a private corporation or quasi-corporation by a government unit from private owners. Paragraph 9.55 of the IMF GFSM 2014 indicates that such an acquisition is treated as a transaction in equity. In some cases, government units may acquire ownership of a private corporation or quasi-corporation by way of confiscation or appropriation. In these cases, there is no payment to the owners (or compensation may not be commensurate with the current market value of assets seized). This action is not the result of a transaction by mutual agreement, but a unilateral decision taken by government. Therefore, the value of the seized assets are recorded as *other changes in the volume of assets* (ETF 5211, FALC and / or ETF 5212, NFAC). Further information on other changes the volume of assets can be found in Chapter 11 of this manual.

Transactions in investment fund shares or units (ETF 3111, FALC 125, SDC and ETF 3211, FALC 225, SDC)

9.55 *Transactions in investment fund shares or units* (ETF 3111, FALC 125, SDC and ETF 3211, FALC 225, SDC) record the current market value of transactions in investment fund shares or units in the form of financial assets (ETF 3111, FALC 125, SDC) and liabilities (ETF 3211, FALC 225, SDC). Paragraph 9.56 of the IMF GFSM 2014 indicates that changes to the value of investment funds due to the issuance or repayment of shares or units are recorded as transactions in GFS. The increase (or decrease) in the value of investment fund shares or units, other than from holding gains and losses, is recorded as distributed to the share or unit holders and reinvested by the holders in the shares or units. This treatment is similar to the treatment of retained earnings of a foreign direct investment enterprise. Gains and losses arising from the value of an asset or fund to reflect its current market value are not recorded as transactions, but as holding gains or losses. Further information on investment fund shares or units can be found in paragraphs 8.79 to 8.80, and Chapter 13 Part B of this manual. Further information on holding gains or losses can be found in

Chapter 11 of this manual.

Transactions in loans and placements (ETF 3111, FALC 13, SDC and ETF 3211, FALC 23, SDC)

9.56 These items record the current market value of transactions in loans and placements. In GFS, transactions in loans and placements are further identified as:

- Transactions in finance leases (ETF 3111, FALC 131, SDC and ETF 3211, FALC 231, SDC);
- Transactions in advances - concessional loans (ETF 3111, FALC 132, SDC and ETF 3211, FALC 232, SDC);
- Transactions in advances other than concessional loans (ETF 3111, FALC 133, SDC and ETF 3211, FALC 233, SDC); and
- Transactions in other loans and placements not elsewhere classified (ETF 3111, FALC 139, SDC and ETF 3211, FALC 239, SDC).

Transactions in finance leases (ETF 3111, FALC 131, SDC and ETF 3211, FALC 231, SDC)

9.57 *Transactions in finance leases* (ETF 3111, FALC 131, SDC and ETF 3211, FALC 231, SDC) record the current market value of transactions in finance lease assets (ETF 3111, FALC 131, SDC) and liabilities (ETF 3211, FALC 231, SDC). Paragraph 9.45 of the IMF GFSM 2014 states that when goods are acquired under a financial lease, a change of economic ownership from the lessor to the lessee is deemed to take place, even though the leased goods legally remain the property of the lessor. This change in economic ownership is financed by a loan transaction where the lessor and lessee record a loan equal to the market value of the asset, with the loan being gradually paid off over the period of the lease. Instalments consist of payments against the outstanding value of the loan. Interest accrued on the loan is classified as *interest income* (ETF 1131, SDC) or *other interest expenses not elsewhere classified* (ETF 1279, SDC). Further information on finance leases can be found in paragraph 8.82, and Chapter 13 Part H of this manual.

Transactions in advances - concessional loans (ETF 3111, FALC 132, SDC and ETF 3211, FALC 232, SDC)

9.58 *Transactions in advances - concessional loans* (ETF 3111, FALC 132, SDC and ETF 3211, FALC 232, SDC) record the value of transactions in advances in the form of concessional loan assets (ETF 3111, FALC 132, SDC) and liabilities (ETF 3211, FALC 232, SDC). Concessional loans are defined as loans which occur when public sector units lend to others and the contractual interest rate is intentionally set below the market interest rate that would otherwise apply. Public sector units can also be debtors in a concessional lending arrangement if they are in receipt of advances in the form of concessional loans from another level of government, a foreign government or an international organisation. Further information on concessional loans can be found in paragraphs 8.83 to 8.84, and Chapter 13 Part B of this manual.

Transactions in advances other than concessional loans (ETF 3111, FALC 133, SDC and ETF 3211, FALC 233, SDC)

9.59 *Transactions in advances other than concessional loans* (ETF 3111, FALC 133, SDC and ETF 3211, FALC 233, SDC) record the value of advances (other than concessional loans) in the form of financial assets (ETF 3111, FALC 133, SDC) and liabilities (ETF 3211, FALC 233, SDC). Further information on advances other than concessional loans can be found in paragraphs 8.85 to 8.87, and Chapter 13 Part B of this manual. While the international standards treats transactions in repurchase agreements and gold swaps as loans, Australian GFS treats these as *transactions in financial derivatives* (ETF 3111, FALC 122, SDC and ETF 3211, FALC 222, SDC). Further information on transactions in financial derivatives can be found in paragraphs 9.40 to 9.43 of this manual.

Transactions in other loans and placements not elsewhere classified (ETF 3111, FALC 139, SDC and ETF 3211, FALC 239, SDC)

9.60 *Transactions in other loans and placements not elsewhere classified* (ETF 3111, FALC 139, SDC and ETF 3211, FALC 239, SDC) record the current market value of transactions in other loans and placements in the form of financial assets (ETF 3111, FALC 139, SDC) and liabilities (ETF 3211, FALC 239, SDC) that are not elsewhere classified. This item records the value of loans and placements other than those associated with *finance leases* (ETF 3111, FALC 131, SDC and ETF 3211, FALC 231, SDC); *advances - concessional loans*

(ETF 3111, FALC 132, SDC and ETF 3211, FALC 232, SDC); and *advances other than concessional loans* (ETF 3111, FALC 133, SDC and ETF 3211, FALC 233, SDC). Further information on other loans and placements can be found in paragraphs 8.88 to 8.90 of this manual.

Transactions in insurance, superannuation, and standardised guarantee schemes (ETF 3111, FALC 14, SDC and ETF 3211, FALC 24, SDC)

9.61 *Transactions in insurance, superannuation, and standardised guarantee schemes* (ETF 3111, FALC 14, SDC and ETF 3211, FALC 24, SDC) record the current market value of transactions in financial assets and liabilities held in connection to public sector operated insurance, superannuation, and standardised guarantee schemes. In GFS, transactions in insurance, superannuation, and standardised guarantee schemes are further classified as:

- Transactions in non-life insurance technical reserves (ETF 3111, FALC 141, SDC and ETF 3211, FALC 241, SDC);
- Transactions in life insurance and annuities entitlements (ETF 3111, FALC 142, SDC and ETF 3211, FALC 242, SDC);
- Transactions in provisions for defined benefit superannuation (ETF 3111, FALC 143, SDC and ETF 3211, FALC 243, SDC);
- Transactions in claims of superannuation funds on superannuation managers (ETF 3111, FALC 144, SDC and ETF 3211, FALC 244, SDC); and
- Transactions in provisions for calls under standardised guarantee schemes (ETF 3111, FALC 145, SDC and ETF 3211, FALC 245, SDC).

Transactions in non-life insurance technical reserves (ETF 3111, FALC 141, SDC and ETF 3211, FALC 241, SDC)

9.62 *Transactions in non-life insurance technical reserves* (ETF 3111, FALC 141, SDC and ETF 3211, FALC 241, SDC) record the current market value of transactions in non-life insurance technical reserve financial assets (ETF 3111, FALC 141, SDC) and liabilities (ETF 3211, FALC 241, SDC). Paragraph 9.58 of the IMF GFSM 2014 indicates that in general, non-life insurance premiums are paid in advance of the period covered by the policy. On an accrual basis, all such prepaid premiums are transactions that increase the insurance unit's liability and the policyholder's asset for insurance technical reserves. As the period covered by the premium progresses, the insurance unit continuously earns the premium, which requires a transaction to decrease its liability and the policyholder's asset for non-life insurance technical reserves.

9.63 Paragraph 9.59 of the IMF GFSM 2014 further indicates that when events occur that give rise to a valid claim, a transaction is recorded that increases reserves against outstanding claims as a liability of the insurance unit and an asset of the beneficiaries. If the payment of the claim is delayed for a substantial length of time or consists of periodic payments over several reporting periods, the value of the transaction corresponds to the present value of the expected payments.

9.64 Paragraph 9.60 of the IMF GFSM 2014 states that the change in unearned premiums and reserves against outstanding claims is shown as a transaction in liabilities of the insurer and a transaction in assets of the policyholders. Revenue is discussed in Chapter 6 of this manual, and expenses are discussed in Chapter 7 of this manual. Further information on non-life insurance technical reserves can be found in paragraphs 8.92 to 8.93 of this manual.

Transactions in life insurance and annuities entitlements (ETF 3111, FALC 142, SDC and ETF 3211, FALC 242, SDC)

9.65 *Transactions in life insurance and annuities entitlements* (ETF 3111, FALC 142, SDC and ETF 3211, FALC 242, SDC) record the current market value of transactions in life insurance and annuities entitlements in the form of financial assets (ETF 3111, FALC 142, SDC) and liabilities (ETF 3211, FALC 242, SDC). Paragraph 9.62 of the IMF GFSM 2014 notes that it is unlikely for general government units to incur liabilities or hold assets with respect to life insurance and annuities, unless they provide such schemes to their employees. Changes in life insurance and annuities entitlements are transactions in liabilities for the insurer and transactions in financial assets for the policyholders. In the case of annuities, the transactions constitute a stream of ongoing payments, rather than a lump sum that reduces the liability. Further information on life insurance and annuities entitlements can be found in paragraphs 8.94 to 8.95 of this manual.

Transactions in provisions for defined benefit superannuation (ETF 3111, FALC 143, SDC and ETF 3211, FALC 243, SDC)

9.66 *Transactions in provisions for defined benefit superannuation* (ETF 3111, FALC 143, SDC and ETF 3211, FALC 243, SDC) record the current market value of transactions in provisions for defined benefit superannuation financial assets (ETF 3111, FALC 143, SDC) and liabilities (ETF 3211, FALC 243, SDC). Note that in Australian GFS, only the net liability position for provisions for defined benefit superannuation is shown. The asset position of provisions for defined benefit superannuation is currently recorded for conceptual completeness in alignment with the international standards and will report a zero balance and zero transactions.

9.67 Paragraph 9.64 of the IMF GFSM 2014 states that for a defined benefit scheme, contributions receivable from employees; employers; or other institutional units on behalf of individuals or households with claims on the public sector unit operating the defined benefit superannuation scheme for future pension benefits, will increase the unit’s liability for pension entitlements. The increase in the existing liability is recorded as *transactions in provisions for defined benefit superannuation* (ETF 3211, FALC 243, SDC) with the corresponding entry being an expense in the form of *imputed employers' contributions - defined benefit superannuation* (ETF 1213, COFOG-A, SDC). Payments to retired persons or their dependents and survivors in the form of periodic payments or lump sums reduce the liability through *transactions in provisions for defined benefit superannuation* (ETF 3211, FALC 243, SDC), with a decrease in *currency and deposits* (ETF 3211, FALC 211, SDC) as the counterpart entry. On a cash basis, the benefits paid should be recorded as an expense in the form of *cash paid for employee superannuation - defined benefit scheme* (ETF 2122, SDC).

9.68 Paragraph 9.66 of the IMF GFSM 2014 notes that on occasion, large one-off transactions (lump sums) may occur between a government and another institutional unit, often a public corporation, linked to superannuation reforms or to privatisations of public corporations. The goal may be to make the public corporation competitive and financially more attractive by removing existing superannuation liabilities from the balance sheet of the corporation. This goal is achieved by government assuming the liability in question in exchange for an asset or assets from the public corporation. If the value of the assets receivable is equal to the value of the liability assumed, the transaction is recorded as an exchange of assets and liabilities. However, the value of the asset(s) may not be the same value as the liability:

- If the value of the asset(s) receivable is less than the value of the liability incurred, an expense in the form of a *capital grant expense* (ETF 1261, COFOG-A, SDC) from government to the public corporation should be recorded for the difference. The assumer (government) records an increase in liabilities for superannuation entitlements, an increase in the relevant financial and / or non-financial assets, and an expense in the form of capital transfer to the public corporation. The public corporation records a decrease in liabilities for superannuation entitlements in the form of *transactions in liabilities (net) - provisions for defined benefit superannuation* (ETF 3211, FALC 243, SDC), a decrease in financial and / or non-financial assets as *provisions for defined benefit schemes* (ETF 8111, FALC 243, SDC or ETF 8211, FALC 243, SDC), and revenue in the form of a capital transfer from government as *revenue from capital grants* (ETF 1151, COFOG-A, SDC).
- If the value of the asset(s) receivable is more than the value of the liability incurred, a capital transfer from the public corporation to the government is recorded for the difference *as capital grant expenses* (ETF 1261, COFOG-A, SDC). The public corporation records a decrease in liabilities for superannuation entitlements as *transactions in liabilities (net) - provisions for defined benefit superannuation* (ETF 3211, FALC 243, SDC), a decrease in financial and / or non-financial assets as *provisions for defined benefit schemes* (ETF 8111, FALC 243, SDC) or (ETF 8211, FALC 243, SDC), and an expense in the form of a capital transfer to government as *capital grant expenses* (ETF 1261, SDC).

9.69 Changes in superannuation entitlements constitute an expense transaction if the change is made by mutual agreement between the policyholder and the operator of the scheme. Expenses are further discussed in Chapter 7 of this manual. If changes to superannuation entitlements occur unilaterally (such as a change in actuarial assumptions), then this constitutes an other change in the volume of assets and liabilities. Other changes in the volume of assets and liabilities are further discussed in Chapter 11 of this manual. If the changes in superannuation entitlements is a result of a change to the discount rate, then this constitutes a holding gain or loss. Further information on provisions for defined benefit superannuation can be found in paragraphs 8.96 to 8.98 of this manual. Holding gains and losses are further discussed in Chapter 11 of this manual.

Transactions in claims of superannuation funds on superannuation managers (ETF 3111, FALC 144, SDC and ETF 3211, FALC 244, SDC)

9.70 *Transactions in claims of superannuation funds on superannuation managers* (ETF 3111, FALC 144, SDC and ETF 3211, FALC 244, SDC) record the current market value of transactions in claims of public sector operated superannuation funds on superannuation managers in the form of financial assets (ETF 3111, FALC 144, SDC) and liabilities (ETF 3211, FALC 244, SDC). Paragraph 9.68 of the IMF GFSM 2014 indicates that an employer may contract with a third party to administer a superannuation fund for its employees (known as a non-autonomous superannuation scheme). When the funding of a deficit of the superannuation fund is the responsibility of the employer or other sponsor (superannuation manager), then a claim of the superannuation fund on the manager accrues. Similarly, if the employer or sponsor (superannuation manager) has a right to claim surpluses of the superannuation fund, then a claim of the manager to the superannuation fund may accrue. Further information on claims of superannuation fund on superannuation managers can be found in paragraph 8.99 of this manual.

Transactions in provision for calls under standardised guarantee schemes (ETF 3111, FALC 145, SDC and ETF 3211, FALC 245, SDC)

9.71 *Transactions in provision for calls under standardised guarantee schemes* (ETF 3111, FALC 145, SDC and ETF 3211, FALC 245, SDC) record the current market value of transactions in provisions for calls under standardised guarantee schemes operated by public sector units in the form of financial assets (ETF 3111, FALC 145, SDC) and liabilities (ETF 3211, FALC 245, SDC). When operating standardised guarantee schemes (such as student loan guarantee schemes, deposit guarantee schemes, and export credit guarantee schemes), units record *transactions in provision for calls under standardised guarantee schemes* (ETF 3211, FALC 245, SDC) for liabilities comprised of:

- Prepayments of net fees: fees prepaid in the reporting period less previously prepaid fees earned for the reporting period; and
- Provisions for outstanding calls: expected calls less any expected asset recoveries on the standardised guarantees provided in the recording period less any calls settled in the recording period.

9.72 Further information on provisions for calls under standardised guarantee schemes may be found in paragraphs 8.100 to 8.101 of this manual.

Transactions in other financial assets (ETF 3111, FALC 15, SDC) and other liabilities (ETF 3211, FALC 25, SDC)

9.73 *Transactions in other financial assets* (ETF 3111, FALC 15, SDC) and other liabilities (ETF 3211, FALC 25, SDC) record the current market value of transactions in other financial assets and other liabilities held by public sector units. In GFS, transactions in other financial assets / other liabilities are further classified as:

- Transactions in provisions for employee entitlements other than superannuation (ETF 3111, FALC 151, SDC and ETF 3211, FALC 251, SDC);
- Transactions in accounts receivable / Accounts payable (ETF 3111, FALC 152, SDC and ETF 3211, FALC 252, SDC); and
- Transactions in other financial assets / Other liabilities (ETF 3111, FALC 159, SDC and ETF 3211, FALC 259, SDC).

Transactions in provisions for employee entitlements other than superannuation (ETF 3111, FALC 151, SDC and ETF 3211, FALC 251, SDC)

9.74 *Transactions in provisions for employee entitlements other than superannuation* (ETF 3111, FALC 151, SDC and ETF 3211, FALC 251, SDC) record the current market value of transactions in provisions for employee entitlements other than superannuation in the form of assets (ETF 3111, FALC 151, SDC) and liabilities (ETF 3211, FALC 251, SDC). These consist of transactions in employment provisions such as sick leave paid to employees on resignation or retirement; recreation leave; long service leave; and workers' compensation (where benefits are paid by an employer and not a separate insurer). Note that in Australian GFS, only the net liability position for *transactions in provisions for employee entitlements other than superannuation* (ETF 3211, FALC 251, SDC) is shown. The asset position of *transactions in provisions for employee entitlements other than superannuation* (ETF 3111, FALC 151, SDC) is recorded for conceptual completeness in alignment with the international standards and will report a zero balance and zero transactions. Further information on provisions for employee entitlements other than superannuation can be found in paragraphs 8.103 to 8.105 of this manual.

Transactions in accounts receivable (ETF 3111, FALC 152, SDC) and accounts payable (ETF 3211, FALC 252, SDC)

9.75 *Transactions in accounts receivable* (ETF 3111, FALC 152, SDC) and *accounts payable* (ETF 3211, FALC 252, SDC) record the current market value of transactions in accounts receivable (ETF 3111, FALC 152, SDC) and accounts payable (ETF 3211, FALC 252, SDC). Paragraphs 9.82 and 9.83 of the IMF GFSM 2014 note that these types of transactions consist of items such as trade credits and advances, and miscellaneous other items due to be paid or received. Transactions in trade credits occur when credit is extended directly to purchasers of goods and services including amounts paid in advance of work being performed, or for prepayments of goods and services. Transactions in accounts receivable / accounts payable may also occur with respect to the assumption of debt by public sector units, accrued but unpaid taxes, dividends, purchases and sales of securities, rent, accrued wages and salaries, social contributions, social benefits, and similar transactions. Prepayments of taxes are also included in these categories. However, accrued but unpaid interest should be added to the underlying asset rather than included in this category. Further information on accounts receivable and accounts payable can be found in paragraphs 8.106 to 8.108 of this manual.

Transactions in other financial assets (ETF 3111, FALC 159, SDC) and other liabilities (ETF 3211, FALC 259, SDC)

9.76 *Transactions in other financial assets* (ETF 3111, FALC 159, SDC) and other liabilities (ETF 3211, FALC 259, SDC) record the current market value of transactions in other financial assets (ETF 3111, FALC 159, SDC) and liabilities (ETF 3211, FALC 259, SDC) other than those classified under *provisions for employee entitlements other than superannuation* (ETF 3111, FALC 151, SDC and ETF 3211, FALC 251, SDC), *accounts receivable* (ETF 3111, FALC 152, SDC); and *accounts payable* (ETF 3211, FALC 252, SDC). Further information on other financial assets (and other liabilities) not elsewhere classified can be found in paragraph 8.109 of this manual.

CHAPTER 10 - TRANSACTIONS IN NON-FINANCIAL ASSETS

PART A - INTRODUCTION

10.1 Because of the integrated nature of the GFS framework, information on flows is included to describe changes in stock positions between the opening and closing balances of items appearing on the balance sheet. This chapter describes the transactions that affect stock positions of non-financial assets, including the valuation of transactions in non-financial assets, the time of recording of transactions in non-financial assets, the netting of transactions non-financial assets, and the classification of transactions in non-financial assets.

PART B - TRANSACTIONS IN NON-FINANCIAL ASSETS

10.2 Transactions that increase a unit's holdings of a non-financial asset are called acquisitions of assets. Transactions that reduce a unit's holdings of a non-financial asset (with the exception of depreciation which is an internal transaction only) are called disposals of assets in GFS. Paragraph 8.3 of the IMF GFSM 2014 lists important types of transactions in non-financial assets as:

- <u>Existing assets of all types</u> - these can be acquired from or disposed to other units by purchase / sale, barter, or transfer in kind.
- <u>Newly produced non-financial produced assets, inventories, and valuables</u> - these can be sold or otherwise disposed of by their producers in the same manner as existing assets, or the producers can retain them for their own use.
- <u>Assets produced on own-account capital formation</u> - these transactions involve goods and services produced by government units for their own use and are classified as acquisitions of non-financial produced assets.
- <u>Renovations, reconstructions, or enlargements that significantly increase the productive capacity or extend the service life of an existing non-financial produced asset</u> - these are classified as acquisitions of non-financial produced assets even though physically they function as part of the existing asset. Land improvements are a separate category of non-financial produced assets, distinct from the non-produced land asset.
- <u>Depreciation</u> - this is an internal transaction that records the decrease in the value of non-financial produced assets because they have been used repeatedly or continuously in production. See paragraphs 6.20 to 6.22 of this manual for further information on depreciation.
- <u>Inventories acquired or disposed of through internal transactions as well as transactions with other units</u> - for example, withdrawals from inventories of materials and supplies for use in the production of general government services and transfers of completed production from work-in-progress inventories to inventories of finished goods are internal transactions. Recurrent losses and spoilage of goods held in inventories are also treated as internal transactions.

PART C - VALUATION OF TRANSACTIONS IN NON-FINANCIAL ASSETS

10.3 In Australian GFS, all transactions in non-financial assets are valued at current market value. This consists of the current exchange value of the non-financial asset plus costs of ownership transfer (with the exception of land). For further information on the valuation of non-financial assets see Chapter 8 Part D of this manual.

Costs of ownership transfer of non-financial assets

10.4 The costs associated with the acquisition or disposal of non-financial assets are called the costs of ownership transfer in GFS. With the exception of the acquisition or disposal of land, these costs are not shown separately to their associated non-financial asset because they are included as part of the current market value of the underlying non-financial asset. There are no costs of ownership transfer recorded for land because the costs of ownership transfer are attributed to items built on the land itself, which are treated as improvements to the land (known as land improvements in GFS). Land itself comprises only the ground, including the soil covering and any associated surface waters, over which ownership rights are enforced. Therefore, the costs of ownership transfer on land are recorded as an undistinguished part of the value of land improvements. Also, there are no costs of ownership transfer on inventories because these are held specifically for use as part of the production of goods and services.

10.5 Paragraph 8.8 of the IMF GFSM 2014 indicates that costs of ownership transfer are attributed to the purchaser or seller of the asset according to which unit bears the responsibility of meeting the costs in the purchase agreement. Examples of costs of ownership transfer include fees paid to surveyors, engineers, architects, lawyers, and estate agents, trade and transport costs separately invoiced to the purchaser, and taxes payable on the transfer. Paragraph 6.60 of the IMF GFSM 2014 notes that costs of ownership transfer are estimated at the time of the acquisition of an asset and are written off through depreciation over the period the asset is expected to be held by the purchaser rather than over the whole life of the asset. By writing off the costs of ownership transfer over the period that the owner holds the asset, there are no remaining costs of ownership transfer included in the value of the asset when it is sold to a new owner. Interest and other financing charges incurred in connection with a transaction are not costs of ownership transfer. Costs of ownership transfer are further discussed in Chapter 3 Part D and Chapter 8 Part D of this manual.

Valuation of transactions in inventories

10.6 Additions to and withdrawals of inventories (including defence inventories) are valued at the current market price applicable at the time the addition or withdrawal takes place, and are recorded as *change in inventories* (ETF 4111, NFAC 21). Paragraph 8.10 of the IMF GFSM 2014 states that the market value of inventories at the time of purchase can be quite different from their market value at the time of withdrawal, and care must be taken to ensure any difference in the value is reflected in the accounts as holding gains or losses. No costs of ownership transfer are recognised for transactions in inventories, including defence inventories. Further information on inventories can be found in paragraphs 8.154 to 8.168 of this manual.

Valuation of transactions in barter or in-kind transactions

10.7 Paragraph 8.9 of the IMF GFSM 2014 states that transactions in non-financial assets acquired through barter or in-kind transactions are valued at their equivalent market value plus any costs of ownership transfer.

Valuation of transactions in own-account capital formation

10.8 Transactions in non-financial assets produced for own-account capital formation are valued at their estimated market value, and recorded as acquisitions of non-financial assets under own-account capital formation (ETF 4113) with a further breakdown using an appropriate category in the supporting information under *own-account capital formation* (ETF 76, NFAC, COFOG-A) (see Appendix 1 Part B). If satisfactory estimates of basic prices cannot be made, transactions in own-account capital formation may be valued at their cost of production.

Valuation of transaction in non-financial assets purchased on a non-market basis

10.9 For various reasons, public sector units may sometimes acquire or dispose of non-financial assets on a non-market basis, either by purchasing or selling non-financial assets at above or below the current market value of the same or similar assets. If the acquisition of the asset is a part of a deliberate action by government (e.g. as part of a bailout operation) and there is clear evidence that the amount paid by government for the asset is above or below the market value of the asset, then an implicit transfer to record the difference in the value of the sale price and the market value is recorded under *assets acquired below market value* (ETF 1152, NFAC, COFOG-A, SDC) and difference would be recorded as *assets donated* (ETF 1262, NFAC, COFOG-A, SDC)

Depreciation on non-financial assets

10.10 Depreciation is an internal transaction which records the decline in the current value of the stock of non-financial assets over their useful life, due to physical deterioration and normal obsolescence. Depreciation records the value of the internal accounting process by which the cost of assets are written off over time. Paragraph 8.18 of the IMF GFSM 2014 indicates that the reduction in the value of non-financial assets recorded via the expense classification *depreciation* (ETF 124) is also recorded as a transaction that reduces the value of the non-financial asset so that there is no impact on the net lending (+) / net borrowing (-). Depreciation usually relates to non-current, tangible, produced non-financial assets, whereas amortisation relates to intangible produced assets.

10.11 In Australia's GFS system, depreciation is recorded in lieu of the IMF GFS concept of consumption of fixed capital. This deviation from the international standards is undertaken in agreement with Commonwealth, and state and territory treasuries, because only depreciation information is currently available from government accounts. The estimates of consumption of fixed capital in the Australian National Accounts are derived independently by the ABS, but are in insufficient detail to be of use in the GFS system.

10.12 Depreciation on non-financial assets should (theoretically) be recorded continuously throughout the reporting period. However in practice, depreciation is only computed at the end of the reporting period because its value depends on the average price of the asset over the entire reporting period. In GFS, depreciation is recorded as an expense and as a negative component of the net acquisition of non-financial assets. This ensures its exclusion from GFS net lending (+) / borrowing (-), which is derived as the GFS net operating result less the net acquisition of non-financial assets. Depreciation is further discussed in Chapter 7 Part C of this manual.

PART D - TIME OF RECORDING OF TRANSACTIONS IN NON-FINANCIAL ASSETS

10.13 In GFS, transactions are recorded at the time that economic value is created, transformed, exchanged, transferred, or extinguished. Paragraphs 8.13 and 8.14 of the IMF GFSM 2014 state that transactions in non-financial assets are recorded when economic ownership is obtained or relinquished. When a change of ownership is not obvious, a good indication of change of ownership may be derived from the time of recording by the other parties to the sales contract, or when there is a change in physical possession or control of the asset. Non-financial assets acquired or disposed of by means of a financial lease are deemed to be acquired or disposed of when the lease is signed or economic control of the asset otherwise has changed hands. Economic ownership of assets is further discussed in Chapter 8 Part B of this manual.

10.14 Paragraph 8.15 of the IMF GFSM 2014 indicates that the time of recording of the acquisition of a new non-financial asset may depend on how the asset is acquired. In particular:

- If the asset is acquired from a producing unit as a finished good, then the timing is determined in the same manner as for the purchase of an existing asset, that is, when economic ownership changes hands. Typically, this time is not the time at which the asset was produced nor the time at which it is put to use in production.
- When another unit produces a structure under a contract of sale agreed in advance with the general government unit, and the production extends over more than one reporting period, then ownership of the structure is deemed to be transferred to the government unit as work proceeds; stage or progress payments may approximate the value of the transactions in non-financial produced assets to be recorded. If the contract does not specify the time of the ownership transfer, then the time of the stage or progress payments may be used. In the absence of a contract of sale, the incomplete production each period is added to work in progress of the contractor.
- When production is carried out on own account, there is no formal transfer of ownership. The producing unit effectively takes possession progressively as production proceeds, so that the asset is acquired as each transaction involved in its production is recorded. For example, if a public sector unit constructs a building using its own workforce, then the materials and services used and the work performed by employees are treated as acquisition of the non-financial produced asset, as work takes place.

PART E - NETTING OF TRANSACTIONS IN NON-FINANCIAL ASSETS

10.15 The term 'netting' refers to the process whereby entries on alternate sides of the accounts are offset against one another. Although the GFS framework recommends gross recording of data in the accounts, a high degree of netting is inherent in the GFS classifications. The GFS classifications employ the word 'net' primarily to indicate the value of items after the deduction of depreciation.

PART F - THE CLASSIFICATION OF TRANSACTIONS IN NON-FINANCIAL ASSETS

10.16 In Australian GFS, input data is sourced from the financial accounts of the state and territory treasuries, the Department of Finance, local government units, and universities. This input data is classified to the GFS framework using a variety of input classifications in order to produce the variety of output statements that the ABS publish on a quarterly and annual basis.

10.17 Detailed data on transactions in non-financial assets are used to populate the statement of stocks and flows for the Commonwealth general government, state and territory general government, and local general government sectors. The statement of stocks and flows is further discussed in Chapter 15 of this manual.

10.18 In GFS, transactions in non-financial asset are recorded by type using the *transactions in non-financial assets (excluding depreciation)* classification in the economic type framework (ETF 4). In order to record the requisite level of detail on non-financial assets for GFS purposes, additional classifications must be used to further classify *transactions in non-financial assets (excluding depreciation)* (ETF 4). These include:

- Non-financial asset classification (NFAC) - this classification is used to identify non-financial assets by type of asset (for further information on the NFAC, see paragraphs 4.57 to 4.68 and paragraphs 8.110 to 8.200, and Appendix 1 Part A of this manual).
- Own-account capital formation (ETF 76) - this classification only relates to the *own-account capital formation* (ETF 4113) classification and is used to further identify transactions in non-financial assets that are created under own-account capital formation by type (for further information on own-account capital formation, see Appendix 1 Part B of this manual).
- Classification of the functions of government - Australia (COFOG-A) - this classification is used to classify selected revenues, all expenses, and all transactions in non-financial assets of the general government sector in terms of the government purpose (e.g. health, education, defence) of the expenditure (for further information on the COFOG-A, see paragraphs 4.87 to 4.99 and Appendix 1 Part C of this manual).

10.19 Transactions in non-financial assets are classified in the GFS framework in terms of acquisitions of non-financial assets and disposals of non-financial assets. The broad framework of transactions in non-financial assets (excluding depreciation) is shown below in Table 10.1:

Table 10.1 - The broad framework of transactions in non-financial assets (excluding depreciation)

Descriptor	Classification codes
Transactions in non-financial assets (excluding depreciation)	**ETF 4**
Acquisitions of non-financial assets	**ETF 41**
Acquisitions of non-financial assets	**ETF 411**
Change in inventories	ETF 4111 NFAC COFOG-A
Acquisitions of non-financial assets under new finance leases	ETF 4112 NFAC COFOG-A SDC
Own-account capital formation	ETF 4113 NFAC COFOG-A
Acquisitions of other new non-financial assets	ETF 4114 NFAC COFOG-A SDC
Acquisitions of second-hand non-financial assets	ETF 4115 NFAC COFOG-A SDC
Costs of ownership transfer on non-produced assets other than land	ETF 4116 NFAC COFOG-A SDC

Disposals of non-financial assets	**ETF 42**
Disposals of non-financial assets	**ETF 421**
Disposals of non-financial assets	ETF 4211 NFAC COFOG-A SDC

Acquisitions of non-financial assets (ETF 41 and ETF 411)

10.20 In GFS, *acquisitions of non-financial assets* (ETF 41 and ETF 411) records the transactions that increase a unit's holdings of non-financial assets. In GFS, acquisitions of non-financial assets are further classified as:

- Change in inventories (ETF 4111, NFAC, COFOG-A);
- Acquisitions of non-financial assets under new finance leases (ETF 4112, NFAC, COFOG-A, SDC);
- Own-account capital formation (ETF 4113, NFAC, COFOG-A);
- Acquisitions of other new non-financial assets (ETF 4114, NFAC, COFOG-A, SDC);
- Acquisitions of second-hand non-financial assets (ETF 4115, NFAC, COFOG-A, SDC); and
- Costs of ownership transfer on non-produced assets other than land (ETF 4116, NFAC, COFOG-A, SDC).

Change in inventories (ETF 4111, NFAC, COFOG-A)

10.21 *Change in inventories* (ETF 4111, NFAC, COFOG-A) records acquisitions and disposals of inventories during the reporting period. The net investment in inventories (change in inventories) is recorded as:

Tables 10.2 - Change in inventories

The value of additions to inventories
minus:
The value of withdrawals from inventories
minus:
The value of any recurrent losses of goods held in inventories during the reporting period.
equals:
Change in inventories

Acquisitions of non-financial assets under new finance leases (ETF 4112, NFAC, COFOG-A, SDC)

10.22 *Acquisitions of non-financial assets under new finance leases* (ETF 4112, NFAC, COFOG-A, SDC) records the transactions that increase a unit's holdings of non-financial assets under new finance leases.

Own-account capital formation (ETF 4113, NFAC, COFOG-A)

10.23 *Own-account capital formation* (ETF 4113, NFAC, COFOG-A) records the transactions that increase a unit's holdings of non-financial assets due to own-account capital formation. This item is further classified using an appropriate category in the supporting information under *own-account capital formation* (ETF 76, NFAC, COFOG-A). Further information on own-account capital formation can be found in Appendix 1 Part B.

Acquisitions of other new non-financial assets (ETF 4114, NFAC, COFOG-A, SDC)

10.24 *Acquisitions of other new non-financial assets* (ETF 4114, NFAC, COFOG-A, SDC) record the transactions that increase a unit's holdings of other new non-financial assets.

Acquisitions of second-hand non-financial assets (ETF 4115, NFAC, COFOG-A, SDC)

10.25 *Acquisitions of second-hand non-financial assets* (ETF 4115, NFAC, COFOG-A, SDC) record the transactions that increase a unit's holdings of second-hand non-financial assets.

Costs of ownership transfer on non-produced assets other than land (ETF 4116, NFAC, COFOG-A, SDC)

10.26 *Costs of ownership transfer on non-produced assets other than land* (ETF 4116, NFAC, COFOG-A, SDC) record the transactions relating to the costs of ownership transfers on non-produced assets other than land. In GFS, the costs of ownership transfer on land is recorded separately as part of *land improvements* (ETF 4111; or ETF 4112, SDC; or ETF 4113; or ETF 4114, SDC; or ETF 4115, SDC; NFAC 113, COFOG-A). For all other non-produced assets, the costs of ownership transfer are recorded as a transaction in the *costs of ownership transfer on non-produced assets other than land* (ETF 4116, NFAC, COFOG-A, SDC) classification and are added to the closing stock value of the related non-financial asset in the GFS balance sheet at the end of the reporting period. Costs of ownership transfer are further discussed in paragraphs 10.4 and 10.5 of this chapter, and Chapter 3 Part D and Chapter 8 Part D of this manual.

Disposals of non-financial assets (ETF 42 and ETF 421 and ETF 4211, NFAC, COFOG-A, SDC)

10.27 *Disposals of non-financial assets* (ETF 42 and ETF 421 and ETF 4211, NFAC, COFOG-A, SDC) record the transactions that reduce a unit's holdings of non-financial assets (with the exception of depreciation which is an internal transaction only). Depreciation is further discussed in paragraphs 10.10 to 10.12 of this chapter and Chapter 7 Part C of this manual.

The detailed classification of transactions in non-financial assets

10.28 The detailed classification of transactions in non-financial assets is shown in Table 10.3 below. This shows a hierarchical classification of non-financial assets, and additional classifications required.

Table 10.3 - The detailed classification of transactions in non-financial assets

Descriptor	Acquisitions of non-financial assets	Disposals of non-financial assets
TRANSACTIONS IN PRODUCED ASSETS	**ETF 41 NFAC 1 COFOG-A**	**ETF 42 NFAC 1 COFOG-A SDC**
Transactions in buildings and structures	**ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 11 COFOG-A SDC (excluding ETF 4113)**	**ETF 4211 NFAC 11 COFOG-A SDC**
Transactions in dwellings	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 111 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 111 COFOG-A SDC
Transactions in buildings other than dwellings	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 112 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 112 COFOG-A SDC

Transactions in land improvements	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 113 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 113 COFOG-A SDC
Transactions in structures not elsewhere classified	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 119 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 119 COFOG-A SDC
Transactions in machinery and equipment	**ETF 4112; or** **ETF 4113; or** **ETF 4114; or** **ETF 4115; or** **ETF 4116** **NFAC 12** **COFOG-A** **SDC (excluding ETF 4113)**	**ETF 4211** **NFAC 12** **COFOG-A** **SDC**
Transactions in transport equipment	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 121 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 121 COFOG-A SDC
Transactions in information, computer, and telecommunications equipment	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 122 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 122 COFOG-A SDC
Transactions in other machinery and equipment not elsewhere classified	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 129 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 129 COFOG-A SDC
Transactions in cultivated biological resources	**ETF 4112; or** **ETF 4113; or** **ETF 4114; or** **ETF 4115; or** **ETF 4116** **NFAC 13** **COFOG-A** **SDC (excluding ETF 4113)**	**ETF 4211** **NFAC 13** **COFOG-A** **SDC**
Transactions in animal resources yielding repeat products	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 131 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 131 COFOG-A SDC

Transactions in tree, crop, and plant resources yielding repeat products	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 132 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 132 COFOG-A SDC
Transactions in intellectual property products	**ETF 4112; or** **ETF 4113; or** **ETF 4114; or** **ETF 4115; or** **ETF 4116** **NFAC 14** **COFOG-A** **SDC (excluding ETF 4113)**	**ETF 4211** **NFAC 14** **COFOG-A** **SDC**
Transactions in research and development	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 141 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 141 COFOG-A SDC
Transactions in mineral exploration and evaluation	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 142 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 142 COFOG-A SDC
Transactions in computer software	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 143 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 143 COFOG-A SDC
Transactions in databases	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 144 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 144 COFOG-A SDC
Transactions in entertainment, literary, and artistic originals	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 145 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 145 COFOG-A SDC
Transactions in other intellectual property products not elsewhere classified	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 149 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 149 COFOG-A SDC
Transactions in weapons systems	**ETF 4113; or** **ETF 4114; or** **ETF 4115; or** **ETF 4116** **NFAC 15** **COFOG-A 02** **SDC (excluding ETF 4113)**	**ETF 4211** **NFAC 15** **COFOG-A 02** **SDC**

Transactions in weapons systems	ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 151 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 151 COFOG-A SDC
TRANSACTIONS IN OTHER PRODUCED ASSETS	**ETF 41 NFAC 2 COFOG-A**	**ETF 42 NFAC 2 COFOG-A SDC**
Transactions in inventories	**ETF 4111 NFAC 21 COFOG-A**	**ETF 4111 NFAC 21 COFOG-A**
Transactions in inventories - materials and supplies	ETF 4111 NFAC 211 COFOG-A	ETF 4111 NFAC 211 COFOG-A
Transactions in inventories - work in progress	ETF 4111 NFAC 212 COFOG-A	ETF 4111 NFAC 212 COFOG-A
Transactions in inventories - finished goods	ETF 4111 NFAC 213 COFOG-A	ETF 4111 NFAC 213 COFOG-A
Transactions in inventories - goods for resale	ETF 4111 NFAC 214 COFOG-A	ETF 4111 NFAC 214 COFOG-A
Transactions in military inventories	ETF 4111 NFAC 215 COFOG-A 02	ETF 4111 NFAC 215 COFOG-A 02
Transactions in valuables	**ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 22 COFOG-A SDC (excluding ETF 4113)**	**ETF 4211 NFAC 22 COFOG-A SDC**
Transactions in valuables	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 221 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 221 COFOG-A SDC
Transactions in other produced assets	**ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 23 COFOG-A SDC (excluding ETF 4113)**	**ETF 4211 NFAC 23 COFOG-A SDC**
Transactions in other produced assets not elsewhere classified	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 239 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 239 COFOG-A SDC
TRANSACTIONS IN NON-PRODUCED ASSETS	**ETF 41 NFAC 3 COFOG-A**	**ETF 42 NFAC 3 COFOG-A SDC**

Transactions in tangible non-produced assets	**ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 31 COFOG-A SDC (excluding ETF 4113)**	**ETF 4211 NFAC 31 COFOG-A SDC**
Transactions in land	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 311 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 311 COFOG-A SDC
Transactions in mineral and energy resources	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 312 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 312 COFOG-A SDC
Transactions in non-cultivated biological resources	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 313 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 313 COFOG-A SDC
Transactions in water resources	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 314 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 314 COFOG-A SDC
Transactions in radio spectra	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 315 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 315 COFOG-A SDC
Transactions in tangible non-produced assets not elsewhere classified	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 319 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 319 COFOG-A SDC
Transactions in intangible non-produced assets	**ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 32 COFOG-A SDC (excluding ETF 4113)**	**ETF 4211 NFAC 32 COFOG-A SDC**

Transactions in marketable operating leases	ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 321 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 321 COFOG-A SDC
Transactions in permits to use natural resources	ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 322 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 322 COFOG-A SDC
Transactions in permits to undertake specific activities	ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 323 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 323 COFOG-A SDC
Transactions in entitlement to future goods and services on an exclusive basis	ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 324 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 324 COFOG-A SDC
Transactions in goodwill and marketing assets	ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 325 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 325 COFOG-A SDC
Transactions in intangible non-produced assets not elsewhere classified	ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 329 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 329 COFOG-A SDC
Transactions in other non-produced assets	**ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 33 COFOG-A SDC (excluding ETF 4113)**	**ETF 4211 NFAC 33 COFOG-A SDC**
Transactions in other non-produced assets not elsewhere classified	ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116 NFAC 339 COFOG-A SDC (excluding ETF 4113)	ETF 4211 NFAC 339 COFOG-A SDC

10.29 As can be seen from Table 10.1, transactions in non-financial assets are classified using the *transactions in non-financial assets classification* (ETF 4) which provides the broad framework. Transactions in non-financial assets are further classified by the NFAC to identify the type of non-financial asset. An appropriate COFOG-A code must be also be selected to identify the purpose of the transaction in non-financial assets. The letters and numbers in brackets that appear after each classification category in the below paragraphs signify the GFS classifications related to each category.

Transactions in produced assets (*for acquisitions*: ETF 41, NFAC 1, COFOG-A or *for disposals*: ETF 42, NFAC 1, COFOG-A)

10.30 *Transactions in produced assets* record the value of acquisitions (ETF 41, NFAC 1, COFOG-A) or disposals (ETF 42, NFAC 1, COFOG-A) of non-financial produced assets. Increases to a unit's holdings of non-financial assets may come about through a number of forms including through:

- Changes in inventories;
- Additions of new non-financial assets under new finance leases;
- Own-account capital formation;
- Additions of other new non-financial assets; and
- Additions of second-hand non-financial assets.

10.31 An important distinction must be made between recognising increases in a unit's holdings of non-financial produced assets through major improvements to assets versus the maintenance and repair of assets. Paragraph 8.25 of the IMF GFSM 2014 states that major improvements to existing assets (such as renovations, reconstructions, and enlargements) increase the productive capacity of the asset, extend its service life, or both. In GFS, major improvements are treated as a transaction and classified as the acquisition of non-financial produced assets. The value of the improvement becomes added to the value of the underlying asset at the end of the reporting period. If the major improvement is to land, however, the value of the improvement should be classified as *land improvements* (ETF 8112, NFAC 113). Major improvements to assets and the maintenance and repair of assets is further discussed in Chapter 13 Part F of this manual.

10.32 In GFS, transactions in fixed assets are further classified as:

- Transactions in buildings and structures (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116; NFAC 11, COFOG-A, SDC (excluding ETF 4113) or *for disposals:* ETF 4211, NFAC 11, COFOG-A, SDC);
- Transactions in machinery and equipment (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116; NFAC 12, COFOG-A, SDC (excluding ETF 4113) or *for disposals:* ETF 4211, NFAC 12, COFOG-A, SDC);
- Transactions in cultivated biological resources (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116; NFAC 13, COFOG-A, SDC (excluding ETF 4113) or *for disposals:* ETF 4211, NFAC 13, COFOG-A, SDC);
- Transactions in intellectual property products (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116; NFAC 14, COFOG-A, SDC (excluding ETF 4113) or *for disposals:* ETF 4211, NFAC 14, COFOG-A, SDC); and
- Transactions in weapons systems (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116; NFAC 15, COFOG-A, SDC (excluding ETF 4113) or *for disposals:* ETF 4211, NFAC 15, COFOG-A, SDC).
- Transactions in buildings and structures (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 11, COFOG-A, SDC (excluding ETF 4113) or *for disposals:* ETF 4211, NFAC 11, COFOG-A, SDC)

10.33 *Transactions in buildings and structures* record the current market value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 11, COFOG-A, SDC(excluding ETF 4113)) and disposals (ETF 4211, NFAC 11, COFOG-A, SDC) of buildings and associated structures. In GFS, transactions in buildings and structures are further classified as:

- Transactions in dwellings (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116; NFAC 111, COFOG-A, SDC(excluding ETF 4113) or *for disposals:* ETF 4211, NFAC 111, COFOG-A, SDC);
- Transactions in buildings other than dwellings (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116; NFAC 112, COFOG-A, SDC(excluding ETF 4113) or *for disposals:* ETF 4211, NFAC 112, COFOG-A, SDC);
- Transactions in land improvements (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116; NFAC 113, COFOG-A, SDC(excluding ETF 4113) or *for disposals:* ETF 4211, NFAC 113, COFOG-A, SDC); and

- Transactions in structures not elsewhere classified (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116; NFAC 119, COFOG-A, SDC (excluding ETF 4113) or *for disposals:* ETF 4211, NFAC 119, COFOG-A, SDC).

Transactions in dwellings (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116; NFAC 111, COFOG-A, SDC (excluding ETF 4113) or for disposals: ETF 4211, NFAC 111, COFOG-A, SDC)

10.34 *Transactions in dwellings* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116; NFAC 111, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 111, COFOG-A, SDC) of dwellings. Paragraph 8.28 of the IMF GFSM 2014 states that in addition to the transactions reflecting the acquisition of newly constructed buildings and structures (in this case dwellings), acquisitions include all amounts payable for site clearance and preparation and the cost of all fixtures, facilities, and equipment that are integral parts of buildings and structures. Further information on dwellings can be found in paragraphs 8.113 to 8.114 of this manual.

Transactions in buildings other than dwellings (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 112, COFOG-A, SDC (excluding ETF 4113) or for disposals: ETF 4211, NFAC 112, COFOG-A, SDC)

10.35 *Transactions in buildings other than dwellings* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116), NFAC 112, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 112, COFOG-A, SDC) of buildings other than dwellings. Paragraph 8.28 of the IMF GFSM 2014 states that in addition to the transactions reflecting the acquisition of newly constructed buildings and structures (in this case transactions in buildings other than dwellings), acquisitions include all amounts payable for site clearance and preparation and the cost of all fixtures, facilities, and equipment that are integral parts of buildings and structures.

10.36 Paragraph 8.30 of the IMF GFSM 2014 indicates that the construction of new public monuments, as well as major improvements to existing public monuments, constitutes an acquisition of buildings other than dwellings, however, when the special archaeological, historical, or cultural significance of a structure or site not already recorded in the balance sheet is first recognised, it is recorded as an other change in the volume of assets, as explained in Chapter 11 of this manual. Further information on buildings other than dwellings can be found in paragraphs 8.115 to 8.116 of this manual.

Transactions in land improvements (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116; NFAC 113, COFOG-A, SDC (excluding ETF 4113) or for disposals: ETF 4211, NFAC 113, COFOG-A, SDC)

10.37 *Transactions in land improvements* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116; NFAC 113, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 113, COFOG-A, SDC) of land improvements. Paragraph 7.49 of the IMF GFSM 2014 defines land improvements as actions that lead to major improvements in the quantity, quality, or productivity of land, or prevent its deterioration, and includes activities such as land reclamation, land clearance, land contouring, and creation of wells and watering holes that are integral to the land in question. In GFS, the value of improvements to land are recorded separately to the value of the land itself, and new improvements to land are recorded as acquisitions in non-financial produced assets during the reporting period. Paragraph 8.28 of the IMF GFSM 2014 states that acquisitions include all amounts payable for site clearance and preparation and the cost of all fixtures, facilities, and equipment that are integral parts of buildings and structures. The costs of ownership transfer on land are also included, by convention, with land improvements, and these costs are written off over the period the owner expects to own the land.

10.38 Paragraph 8.31 of the IMF GFSM 2014 states that depreciation associated with land improvements is recorded based on the service life of the improvement. Any excess in the increase in the value of the land over the value of land improvements or any increase in price levels due to adjacent capital activity is recorded as holding gains. Other changes in the volume of assets (economic appearance) of the non-produced asset *land* (NFAC 311) should be recorded when adjacent activities bring land into the asset boundary for GFS purposes. Further information on land improvements can be found in paragraphs 8.117 to 8.120, and Chapter 13. Part F of this manual.

Transactions in structures not elsewhere classified (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116; NFAC 119, COFOG-A, SDC (excluding ETF 4113) or for disposals: ETF 4211, NFAC 119, COFOG-A, SDC)

10.39 *Transactions in structures not elsewhere classified* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116; NFAC 119, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 119, COFOG-A, SDC) of other structures not elsewhere classified. Paragraph 8.28 of the IMF GFSM 2014 states that in addition to the transactions reflecting the acquisition of newly constructed buildings and structures (in this case other structures not elsewhere classified), acquisitions include all amounts payable for site clearance and preparation and the cost of all fixtures, facilities, and equipment that are integral parts of buildings and structures.

10.40 Paragraph 8.32 of the IMF GFSM 2014 states that acquisitions of tunnels and other structures associated with the mining of mineral deposits are classified as acquisitions of structures and not as improvements to land. These assets are used separately from the land through which they are drilled or bored. Further information on other structures not elsewhere classified can be found in paragraphs 8.121 to 8.122 of this manual.

Transactions in machinery and equipment (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 12, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 12, COFOG-A, SDC)

10.41 *Transactions in machinery and equipment* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 12, COFOG-A, SDC (excluding ETF 4113)) or disposals (ETF 4211, NFAC 12, COFOG-A, SDC) of machinery and equipment. In GFS, transactions in machinery and equipment are further classified as:

- Transactions in transport equipment (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 121, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 121, COFOG-A, SDC);
- Transactions in information, computer, and telecommunications equipment (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 122, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 122, COFOG-A, SDC); and
- Transactions in machinery and equipment not elsewhere classified (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 129, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 129, COFOG-A, SDC).

Transactions in transport equipment (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 121, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 121, COFOG-A, SDC)

10.42 *Transactions in transport equipment* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 121, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 121, COFOG-A, SDC) of transport equipment. Further information on transport equipment can be found in paragraph 8.124 of this manual.

Transactions in information, computer, and telecommunications equipment (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 122, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 122, COFOG-A, SDC)

10.43 *Transactions in information, computer, and telecommunications equipment* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 122, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 122, COFOG-A, SDC) of information, computer, and telecommunications equipment. Further information on information, computer, and telecommunication equipment can be found in paragraphs 8.125 to 8.126 of this manual.

Transactions in machinery and equipment not elsewhere classified (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 129, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 129, COFOG-A, SDC)

10.44 *Transactions in machinery and equipment not elsewhere classified* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 129, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 129, COFOG-A, SDC) of other machinery and equipment not elsewhere classified. This category includes all machinery and equipment not classified in any of the other machinery and equipment categories. Further information on other machinery and equipment not elsewhere classified can be found in paragraphs 8.127 to 8.129 of this manual.

Transactions in cultivated biological resources (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 13, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 13, COFOG-A, SDC)

10.45 *Transactions in cultivated biological resources* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 13, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 13, COFOG-A, SDC) of cultivated biological resources. Paragraph 8.34 of the IMF GFSM 2014 states that acquisitions of cultivated biological resources include acquisitions from other units of plants and animals that are cultivated for the products they yield year after year, and the value of similar plants and animals produced on own account. Plants and animals grown for a single use, such as animals grown for slaughter and trees grown for timber, are treated as inventories rather than non-financial produced assets.

10.46 Disposals in cultivated biological resources consist of animals and plants that are sold or otherwise disposed of, including animals and plants that yield repeat products such as wool sheep or dairy cows subsequently slaughtered, or orchards or coffee plantations that are cut down before the end of their service lives. Disposals do not include exceptional losses of animals and plants due to major outbreaks of disease, contamination, drought, famine, or other natural disasters, which are recorded as other changes in the volume of assets (see Chapter 11 of this manual). Depreciation on these resources includes incidental losses of animals and plants from natural causes, as well as the decline in an animal's or plant's value as it gets older.

10.47 In GFS, transactions in cultivated biological resources are further classified as:

- Transactions in animal resources yielding repeat products (*for acquisitions*: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 131, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 131, COFOG-A, SDC); and
- Transactions in tree, crop, and plant resources yielding repeat products (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 132, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 132, COFOG-A, SDC).

Transactions in animal resources yielding repeat products (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 131, COFOG-A, SDC (excluding ETF 4113) and for disposals: (ETF 4211, NFAC 131, COFOG-A, SDC, ETF)

10.48 *Transactions in animal resources yielding repeat products* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 131, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 131, COFOG-A, SDC) of animal resources yielding repeat products. Only animals and plants cultivated under the direct control, responsibility, and management of institutional units are considered to be cultivated assets in GFS. Paragraph 8.35 of the IMF GFSM 2014 indicates that the net investment in livestock that are cultivated for the products they yield year after year (e.g. dairy cattle) is equal to the total value of all mature animals and immature animals produced on own account or acquired by users of the livestock minus the value of their disposals minus consumption of fixed capital. Further information on animal resources yielding repeat products can be found in paragraphs 8.131 to 8.133 of this manual.

Transactions in tree, crop, and plant resources yielding repeat products (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 132, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 132, COFOG-A, SDC)

10.49 *Transactions in tree, crop, and plant resources yielding repeat products* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 132, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 132, COFOG-A, SDC) of tree, crop, and plant resources yielding repeat products. Paragraph 8.36 of the IMF GFSM 2014 indicates that the net investment in plantations, orchards, etc. is equal to the value of the acquisitions of mature trees, shrubs, etc. (including immature trees, shrubs, etc. produced on own account) minus their disposals minus consumption of fixed capital. If the current market value of immature trees, shrubs, etc. cannot be determined, the value may be approximated by the value of accumulated costs incurred in their production. Further information on tree, crop, and plant resources yielding repeat products can be found in paragraphs 8.134 to 8.137 of this manual.

Transactions in intellectual property products (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 14, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 14, COFOG-A, SDC)

10.50 *Transactions in intellectual property products* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 14, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 14, COFOG-A, SDC) of *intellectual property products*. In GFS, transactions in intellectual property products are further classified as:

- Transactions in research and development (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 141, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 141, COFOG-A, SDC);
- Transactions in mineral exploration and evaluation (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 142, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 142, COFOG-A, SDC);
- Transactions in computer software (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 143, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 143, COFOG-A, SDC);
- Transactions in databases (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 144, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 144, COFOG-A, SDC);
- Transactions in entertainment, literary, and artistic originals (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 145, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 145, COFOG-A, SDC); and
- Transactions in intellectual property products not elsewhere classified (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 149, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 149, COFOG-A, SDC).

Transactions in research and development (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 141, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 141, COFOG-A, SDC)

10.51 *Transactions in research and development* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 141, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 141, COFOG-A, SDC) of research and development. Paragraph 8.38 of the IMF GFSM 2014 states that the value of expenditure on research and development should be determined in terms of the economic benefits it is expected to provide in the future. In GFS, research and development is treated as an asset except in cases where it is clear that the activity does not entail any economic benefits for its owner. Further information on research and development can be found in paragraphs 8.139 to 8.141 of this manual.

Transactions in mineral exploration and evaluation (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 142, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 142, COFOG-A, SDC)

10.52 *Transactions in mineral exploration and evaluation* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 142, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 142, COFOG-A, SDC) of mineral exploration and evaluation. Paragraph 8.39 of the IMF GFSM 2014 notes that expenditure incurred on exploration is classified as the acquisition of mineral exploration and evaluation. Mineral exploration expenditure includes the costs of actual test drillings and borings and all other costs incurred to make it possible to carry out the tests, such as pre-license, license, acquisition, and appraisal costs, the costs of aerial and other surveys, and transportation and other costs incurred to make the exploration possible. Depreciation may be calculated for such assets by using average service lives similar to those used by mining or oil corporations in their own accounts. Further information on mineral exploration and evaluation can be found in paragraphs 8.142 to 8.143 of this manual.

Transactions in computer software (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 143, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 143, COFOG-A, SDC)

10.53 *Transactions in computer software* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 143, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 143, COFOG-A, SDC) of computer software. Paragraph 8.40 of the IMF GFSM 2014 indicates that acquisitions of computer software that comprise programs, program descriptions, and supporting materials for both systems and applications software that are expected to be used for more than one year. The net investment in non-financial assets in the form of computer software includes both the initial development and subsequent extensions of software, as well as acquisition of copies that are classified as assets. Software developed in-house is valued at its cost of production and is included as *own-account capital formation* (ETF 4113) with a further breakdown using an appropriate category in the supporting information under *own-account capital formation* (ETF 76, NFAC 143, COFOG-A) (see Appendix 1 Part B). Further information on computer software can be found in paragraphs 8.144 to 8.145 of this manual.

Transactions in databases (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 144, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 144, COFOG-A, SDC)

10.54 *Transactions in databases* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 144, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 144, COFOG-A, SDC) of databases. Paragraph 8.40 of the IMF GFSM 2014 states that this category includes the purchase, development, or extension of large databases that the unit expects to use for more than one year. When a database is created, its value will generally have to be estimated by a sum-of-costs approach. These costs include the cost of preparing data in the appropriate format, staff time estimated on the basis of the amount of time spent in developing the database, and costs of goods and services used.

10.55 If the database is created in-house, it is recorded as *own-account capital formation* (ETF 4113) with a further breakdown using an appropriate category in the supporting information under *own-account capital formation* (ETF 76, NFAC 144, COFOG-A) (see Appendix 1 Part B). Transactions in databases sold should be valued at their market price, which includes the value of the information content. Further information on databases can be found in paragraph 8.146 of this manual.

Transactions in entertainment, literary, and artistic originals (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 145, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 145, COFOG-A, SDC)

10.56 *Transactions in entertainment, literary, and artistic originals* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 145, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 145, COFOG-A, SDC) of entertainment, literary, and artistic originals. Paragraph 8.41 of the IMF GFSM 2014 notes that the production of new entertainment, literary, and artistic originals is recorded at their current market price when they are actually traded. However, this asset category is often undertaken on own account. Subsequently, they may be sold outright or by means of licenses. When produced on own account, the value of entertainment, literary, or artistic originals are recorded as own-account capital formation (ETF 4113) with a further breakdown using an appropriate category in the supporting information under *own-account capital formation* (ETF 76, NFAC 145, COFOG-A) (see Appendix 1 Part B). It may be difficult to establish their market value when created on own-account, because this depends on the present value of the future benefits that the owner expects to derive from their use. In the absence of information, it may be necessary to value the acquisition of the original by its cost of production. Further information on entertainment, literary, and artistic originals can be found in paragraph 8.147 of this manual.

Transactions in intellectual property products not elsewhere classified (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 149, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 149, COFOG-A, SDC)

10.57 *Transactions in intellectual property products not elsewhere classified* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 149, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 149, COFOG-A, SDC) of other intellectual property products not elsewhere classified. Further information on other intellectual property products not elsewhere classified can be found in paragraphs 8.148 to 8.149 of this manual.

Transactions in weapons systems (for acquisitions: ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 15, COFOG-A 02, SDC 02 (excluding ETF 4113) and for disposals: ETF 4211, NFAC 15 and NFAC 151, COFOG-A 02, SDC 02)

10.58 *Transactions in weapons systems* (also known as *defence weapons platforms* in Australian GFS) record the value of acquisitions (ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 15 and NFAC 151, COFOG-A 02, SDC 02 (excluding ETF 4113)) and disposals (ETF 4211, NFAC 15 and NFAC 151, COFOG-A 02, SDC 02) of weapons systems. Paragraph 8.43 of the IMF GFSM 2014 notes that the acquisitions and disposals of weapons systems that meet the general definition of assets include vehicles and other equipment such as warships, submarines, military aircraft , tanks, missile carriers and launchers, etc. The acquisitions of most single-use weapons they deliver, such as ammunition, missiles, rockets, bombs, etc., are classified as transactions in military inventories (ETF 4111, NFAC 215, COFOG-A) and their use as withdrawals from military inventories. However, some single-use items, such as certain types of ballistic missile with a highly destructive capability, may be classified as non-financial produced assets. Further information on weapons systems (also known as defence weapons platforms) can be found in paragraphs 8.150 to 8.151 of this manual.

Transactions in other produced assets (*for acquisitions:* ETF 41, NFAC 2, COFOG-A, and *for disposals:* ETF 42, NFAC 2, COFOG-A, SDC)

10.59 *Transactions in other produced assets* record the value of acquisitions (ETF 41, NFAC 2, COFOG-A) and disposals (ETF 42, NFAC 2, COFOG-A, SDC) of other produced assets. In GFS, transactions in other produced assets are further classified as:

- Inventories (*for acquisitions:* ETF 4111, NFAC 21, COFOG-A and *for disposals:* ETF 4111, NFAC 21, COFOG-A);
- Valuables (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 22, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 22, COFOG-A, SDC); and
- Other produced assets (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 23, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 23, COFOG-A, SDC).

Transactions in inventories (ETF 4111, NFAC 21, COFOG-A)

10.60 *Transactions in inventories* (ETF 4111, NFAC 21, COFOG-A) record the value of the change in inventories during the reporting period. Paragraph 8.44 of the IMF GFSM 2014 states that the change in inventories (also known as the net investment in inventories) is measured by the value of the additions to inventories minus the value of withdrawals from inventories minus the value of any recurrent losses of goods held in inventories during the reporting period.

10.61 Additions to inventories are recorded when products are purchased, produced, or otherwise acquired, and withdrawals from inventories are recorded when products are sold, used up in production, diminished due to recurrent losses (recurrent wastage, accidental damage, or pilfering), or otherwise relinquished. Inventories that are transferred to a different category of inventories as part of the production process (e.g. from work in progress to finished goods) are recorded as *other changes in the volume of non-financial assets* (ETF 5212, NFAC 211, or NFAC 212, or NFAC 213, or NFAC 214, or NFAC 215).

10.62 Paragraph 8.45 of the IMF GFSM 2014 notes that in contrast to other non-financial assets, no costs of ownership transfer are included in the values of additions to or withdrawals from inventories and no depreciation is attributed to inventories. The reason for this is because inventories are held specifically for use in the production of goods and services. Further, unlike reporting for other non-financial assets, only the net value of inventories is estimated under *change in inventories* (ETF 4111, NFAC 21, COFOG-A) rather than gross values for additions and withdrawals.

10.63 Paragraph 8.46 of the IMF GFSM 2014 states that to understand the various transactions in inventories, it is useful to distinguish between two functions performed by a unit: its function as a producer of goods and services; and its function as an owner of assets. When a good is entered into inventories, it is acquired as an asset by the unit in its capacity as owner either by purchase (or barter) or by an internal transaction with itself as the producer. Conversely, a good leaving inventories represents the disposal of an asset by the owner either by sale or other use, by an internal transfer to the producer, or possibly as a result of recurrent losses (recurrent wastage, accidental damage, or pilfering). Paragraph 8.48 of the IMF GFSM 2014 indicates that recurrent losses of inventories resulting from physical deterioration, normal accidental damage, or pilfering should be treated as withdrawals in the same way as inventories withdrawn on purpose. In practice, determining the time of recording of recurrent losses may be difficult because the time at which the inventories were stolen or spoiled may be unknown. Exceptional inventory losses are included as other changes in the volume of assets (see Chapter 11 of this manual for further information on other changes in the volume of assets).

10.64 Paragraph 8.47 of the IMF GFSM 2014 notes that many transactions in inventories (i.e. additions to and withdrawals from) are purchases from (or distributions to) other units, but other acquisitions and disposals reflect internal transactions. All additions to and withdrawals from inventories (such as for use of goods or investment in non-financial produced assets), should be valued at current market prices. Because of the continuous or frequent withdrawals from materials and supplies inventories and the additions to and withdrawals from work-in-progress inventories, information is usually not available to record these internal transactions accurately, and estimates may be necessary.

10.65 In GFS, transactions in inventories are further classified as:

- *Transactions in inventories - materials and supplies* (ETF 4111, NFAC 211, COFOG-A);
- *Transactions in inventories - work in progress* (ETF 4111, NFAC 212, COFOG-A);
- *Transactions in inventories - finished goods* (ETF 4111, NFAC 213, COFOG-A);
- *Transactions in inventories - goods for resale* (ETF 4111, NFAC 214, COFOG-A); and
- *Transactions in military inventories* (ETF 4111, NFAC 215, COFOG-A 02).

Transactions in inventories - materials and supplies (ETF 4111, NFAC 211, COFOG-A)

10.66 *Transactions in inventories - materials and supplies* (ETF 4111, NFAC 211, COFOG-A) record the value of changes in inventories of materials and supplies during the reporting period. Paragraph 8.47 of the IMF GFSM 2014 states that when inventories of materials and supplies are transferred to a production process, a transaction is recorded for the withdrawal, which is balanced by an addition either to *inventories - work-in-progress* (ETF 4111, NFAC 212, COFOG-A), the *use of goods and services* (ETF 1233), or *own-account capital formation* (ETF 4113, NFAC 212, COFOG-A) with a further break down reported under the appropriate category of *own account capital formation* (ETF 76) in the *supporting information* (ETF 7), or possibly even *valuables* (ETF 4114, NFAC 212, COFOG-A). In other words, the balancing entry depends on the nature of the production process. The acquisition of gold, diamonds, etc. intended for use in production is recorded under *inventories - materials and supplies* (ETF 4111, NFAC 211, COFOG-A), but the acquisition of the same items to hold as a store of value is recorded under *valuables* (ETF 4114, NFAC 212, COFOG-A). Further information on inventories - materials and supplies can be found in paragraphs 8.154 to 8.156 of this manual.

Transactions in inventories - work in progress (ETF 4111, NFAC 212, COFOG-A)

10.67 *Transactions in inventories - work in progress* (ETF 4111, NFAC 212, COFOG-A) record the value of changes in inventories of work in progress during the reporting period. Paragraph 8.47 of the IMF GFSM 2014 indicates that transactions which add to *inventories - work-in-progress* (ETF 4111, NFAC 212, COFOG-A) are (in principle) recorded continuously as production takes place. The counterpart transactions are reduction in other assets, such as *inventories - materials and supplies* (ETF 4111, NFAC 211, COFOG-A), and the other costs incurred in production. When production is completed, all work in progress is reclassified as *inventories - finished goods* (ETF 4111, NFAC 213, COFOG-A). This reclassification is recorded as other changes in the volume of assets under the respective subcategories of inventories (see Chapter 11 of this manual for further information on other changes in the volume of assets). Withdrawals of *inventories - work-in-progress inventories* (ETF 4111, NFAC 212, COFOG-A) should be valued at their cost of production, where all inputs are valued at their current market prices at the time of withdrawal rather than the prices paid for them. The difference between the prices payable for the inputs and their current market prices is a holding gain or loss. The ownership of work-in-progress inventories is transferable, if necessary. For example, the asset may be sold under exceptional circumstances, such as the liquidation of a public corporation.

10.68 Paragraph 8.47 of the IMF GFSM 2014 further adds that *inventories - work-in-progress* (ETF 4111, NFAC 212, COFOG-A) should be recorded for single-use cultivated biological resources. Any cultivation of resources with repeat yields that are not used in production such as immature orchards, dairy calves, wool lambs (other than on own account or under an agreed contract with another unit), is also included in *inventories - work-in-progress* (ETF 4111, NFAC 212, COFOG-A). However, repeat-yield resources, being cultivated on own account or under an agreed contract with another unit, are recorded as the acquisition of non-financial produced assets. Further information on inventories - work in progress can be found in paragraphs 8.157 to 8.160 of this manual.

Transactions in inventories - finished goods (ETF 4111, NFAC 213, COFOG-A)

10.69 *Transactions in inventories - finished goods* (ETF 4111, NFAC 213, COFOG-A) record the value of changes in inventories of finished goods during the reporting period. Paragraph 8.47 of the IMF GFSM 2014 states that a good is finished when its producer has completed its intended production process and such *inventories - finished goods* (ETF 4111, NFAC 213, COFOG-A) may be held only by the units that produce them. When finished goods are sold or otherwise disposed of (e.g. as compensation of employees in kind), a transaction must be recorded to reduce *inventories - finished goods* (ETF 4111, NFAC 213, COFOG-A), which is balanced by an increase in expenses in the form of *use of goods and services* (ETF 1233). The distribution of finished goods as compensation of employees in kind is always recorded as an increase in expenses in the form of *use of goods and services* (ETF 1233) by the unit that produced these goods.

10.70 Paragraph 8.47 of the IMF GFSM 2014 further states that finished goods entering inventories are valued at the prices of those goods before adding any taxes, transport, or distribution margins, at the times the entries take place; finished goods withdrawn from inventories are valued at the prices before adding any taxes, transport, or distribution margins, at the time when their withdrawals take place. The difference between the 'entering' and 'withdrawal' values of finished goods is recorded as a holding gain or loss (see Chapter 11 of this manual for further information on holding gains and losses). Further information on inventories - finished goods can be found in paragraph 8.161 of this manual.

Transactions in inventories - goods for resale (ETF 4111, NFAC 214, COFOG-A)

10.71 *Transactions in inventories - goods for resale* (ETF 4111, NFAC 214, COFOG-A) record the value of changes in inventories of goods for resale during the reporting period. Paragraph 8.47 of the IMF GFSM 2014 notes that when goods held as *inventories - goods for resale* (ETF 4111, NFAC 214, COFOG-A) are sold or otherwise disposed of, two transactions are recorded.

10.72 Firstly, a reduction in *inventories - goods for resale* (ETF 4111, NFAC 214, COFOG-A) takes place, and a counterpart transaction is recorded in expenses in the form of *use of goods and services* (ETF 1233) at the purchase price. Secondly, receipts of sales of goods and services are recorded at the sale price (ETF 1121; or ETF 1123; or ETF 1124), which is balanced by either an increase in *currency and deposits* (ETF 3111, FALC 111, SDC) or *accounts receivable* (ETF 3111, FALC 152, SDC). The difference between the value recorded as sales of goods and services and use of goods and services is reflected in the *net operating balance* (NOB). By convention, goods acquired by government for distribution as social transfers in kind or other transfers in kind but that have not yet been so delivered are also included in goods for resale. The distribution of such goods is recorded as a reduction in *inventories - goods for resale* (ETF 4111, NFAC 214, COFOG-A), and an increase in expenses in the form of either *subsidies on products* (ETF 1252), *other subsidies on production* (ETF 1253), *current grant expenses* (ETF 1251), or *other current transfer expenses not elsewhere classified* (ETF 1259).

10.73 Paragraph 8.47 of the IMF GFSM 2014 further states that goods for resale added to inventories are valued at their actual or estimated purchase prices, including any transportation charges paid to other units, but not the costs of any transport services produced on own account by the unit taking delivery. Goods acquired by barter are valued at their estimated purchasers' prices at the time of acquisition. However, because there are no taxes or margins on bartered goods, the purchaser's price is the same as the basic price. Goods for resale withdrawn from inventories are valued similarly at the purchase prices at which they can be replaced when they are withdrawn, which may differ from the prices that were paid to acquire them and the prices for which they were sold. Reductions in inventories are valued in this way whether the goods withdrawn are sold at a profit or at a loss, or even not sold at all as a result of physical deterioration, recurrent accidental damage, or pilfering. Further information on inventories - goods for resale can be found in paragraphs 8.162 to 8.165 of this manual.

Transactions in military inventories (ETF 4111, NFAC 215, COFOG-A 02)

10.74 *Transactions in military inventories* (ETF 4111, NFAC 215, COFOG-A 02) record the value of changes in military inventories during the reporting period. Paragraph 8.47 of the IMF GFSM 2014 notes that when military inventories are used or otherwise disposed of, their cost is recorded as an expense in the form of *use of goods and services* (ETF 1233, COFOG-A). A counterpart transaction is recorded as the withdrawal of *military inventories* (ETF 4111, NFAC 215, COFOG-A 02). Additions and withdrawals of military inventories are valued in the same manner as additions and withdrawals of *inventories - finished goods* (ETF 4111, NFAC 213, COFOG-A) or additions and withdrawals of *inventories - goods for resale* (ETF 4111, NFAC 214, COFOG-A), depending on how they were acquired. Further information on inventories - military inventories can be found in paragraphs 8.166 to 8.168 of this manual.

Transactions in valuables (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 22 and NFAC 221, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 22 and NFAC 221, COFOG-A, SDC)

10.75 *Transactions in valuables* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 22 and NFAC 221, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 22 and NFAC 221, COFOG-A, SDC) of valuables. Paragraph 8.48 of the IMF GFSM 2014 states that acquisitions of valuables are valued at the prices payable by the purchaser.

10.76 Any associated costs of ownership transfer incurred by the units acquiring the valuables are recorded as a separate transaction as *acquisitions of other new non-financial assets* (ETF 4114, NFAC 221, COFOG-A, SDC). The value of the transaction in costs of ownership transfer on valuables are added to the stock of *valuables* (ETF 8112, NFAC 221) at the end of the reporting period and included as part of the current market value of valuables. The costs of ownership transfer associated with valuables may be significant due to the cost of the services of appraisers, auctioneers, and dealers, and care must be taken to record these as a separate transaction correctly.

10.77 Disposals are valued at the sales price, minus any associated costs of ownership transfer incurred by the units disposing of the assets, therefore the value of acquisition may not equal value of disposal for the same valuable. Units fulfilling some functions of the monetary authority may have transactions in both monetary and non-monetary gold, and care needs to be taken to classify them correctly and to record the other changes in the volume of assets needed to transfer gold from one category to the other. Other changes in the volume of assets are further discussed in Chapter 11 of this manual. Further information on valuables can be found in paragraphs 8.169 to 8.170 of this manual.

Transactions in other produced assets (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 23 and NFAC 239, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 23 and NFAC 239, COFOG-A, SDC)

10.78 *Transactions in other produced assets* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 23, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 23, COFOG-A, SDC) of other non-financial produced assets owned by public sector units.

Transactions in non-produced assets (*for acquisitions:* ETF 41, NFAC 3, COFOG-A, SDC and *for disposals:* ETF 42, NFAC 3, COFOG-A, SDC)

10.79 *Transactions in non-produced assets* record the current value of acquisitions (ETF 41, NFAC 3, COFOG-A) and disposals (ETF 42, NFAC 3, COFOG-A, SDC) in non-financial non-produced assets owned by public sector units. In GFS, transactions in non-produced assets are further classified as:

- Transactions in tangible non-produced assets (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 31, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 31, COFOG-A, SDC);
- Transactions in intangible non-produced assets (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 32, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 32, COFOG-A, SDC); and
- Transactions in other non-produced assets (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 33, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 33, COFOG-A, SDC).

Transactions in tangible non-produced assets (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 31, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 31, COFOG-A, SDC)

10.80 *Transactions in tangible non-produced assets* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 31, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 31, COFOG-A, SDC) of tangible non-produced assets owned by public sector units. In GFS, transactions in tangible non-produced assets are further classified as:

- Transactions in land (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; NFAC 311, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 311, COFOG-A, SDC);
- Transactions in mineral and energy resources (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 312, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 312, COFOG-A, SDC);
- Transactions in non-cultivated biological resources (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 313, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 313, COFOG-A, SDC);
- Transactions in water resources (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 314, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 314, COFOG-A, SDC);
- Transactions in radio spectra (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 315, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 315, COFOG-A, SDC); and
- Transactions in tangible non-produced assets not elsewhere classified (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 319, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 319, COFOG-A, SDC).

Transactions in land (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; NFAC 311, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 311, COFOG-A, SDC)

10.81 *Transactions in land* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; NFAC 311, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 311, COFOG-A, SDC) of land owned by public sector units. Paragraph 8.50 of the IMF GFSM 2014 indicates that the purchase and sale of land excludes the costs of ownership transfer on land for both buyers and sellers. These costs are included in *transactions in land improvements* (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 113, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 113, COFOG-A, SDC).

10.82 Actions that lead to major improvements in the quantity, quality, or productivity of land, or prevent its deterioration (such as land clearance, land contouring, creation of wells and watering holes that are integral to the land in question, etc.) are also treated as land improvements. Costs relating to site clearance and preparation of land for purposes of construction are excluded from land improvements and are instead classified as the acquisition of *buildings and structures* (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 11, COFOG-A, SDC (excluding ETF 4113)). Improvements to land are further discussed in Chapter 13 Part F of this manual.

10.83 When a public sector unit acquires land that is physically located in a foreign country (for use as an embassy, base, or other territorial enclave), the transaction converts the land into forming part of the economic territory of the country of the acquiring government, and so the asset will enter the balance sheet by means of a transaction (i.e. *the acquisition of the non-financial asset (land)* (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; NFAC 311, COFOG-A, SDC (excluding ETF 4113))).

10.84 Paragraph 8.51 of the IMF GFSM 2014 notes that buildings (or other structures) and plantations are often purchased or sold together with the land on which they are situated, without separate valuations being placed on the structures and the land. Even if it is not feasible to obtain separate valuations (as may be the case for existing structures), it may be possible to determine whether the value of the land or the structure accounts for most of their combined value and to classify the transaction as the purchase of land or of a structure, depending upon which has the greater value. If it is not possible to determine whether the land or the structure is the more valuable, by convention, the transaction should be classified as the purchase of a structure (i.e. as the acquisition of a non-financial produced asset in the form of *buildings and structures* (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 11, COFOG-A, SDC (excluding ETF 4113))). A similar convention holds for plantations. In most cases, subsoil assets may be owned separately from the land and separate valuations should be estimated if possible.

10.85 Paragraph 8.53 of the IMF GFSM 2014 indicates that while there is no depreciation on land, there is depreciation on land improvements. Therefore depreciation on land improvements is recorded as depreciation on *non-financial produced assets (non-defence)* (ETF 1241, NFAC 113, COFOG-A, SDC); or *depreciation on non-financial produced assets (non-defence)* (ETF 1242, NFAC 113, COFOG-A, SDC). Costs of ownership transfer on land are recorded as *transactions in land improvements* (*for acquisitions:* ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 113, COFOG-A, SDC (excluding ETF 4113)). Further information on land can be found in paragraphs 8.175 to 8.177 of this manual.

Transactions in mineral and energy resources (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 312, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 312, COFOG-A, SDC)

10.86 *Transactions in mineral and energy resources* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 312, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 312, COFOG-A, SDC) in mineral and energy resources over which ownership rights have been established. Mineral and energy resources consist of mineral and energy reserves located on or below the earth's surface that are economically exploitable, given current technology and relative prices. Included are deposits of mineral reserves under the sea; known reserves of oil, natural gas and coal; known reserves of metallic ores; non-metallic mineral reserves including stone quarries, clay and sand pits, chemical and fertiliser mineral deposits, deposits of salt, quartz, gypsum, natural gem stones, asphalt, bitumen and peat.

10.87 Paragraph 8.54 of the IMF GFSM 2014 notes that reductions in the value of known reserves of mineral and energy resources resulting from their depletion as a result of extracting the assets for purposes of production are not recorded transactions but as other changes in the volume of assets. Similarly, increases in the values resulting from discoveries are recorded as other changes in the volume of assets. Decreases arising from reappraisals are also recorded as other changes in the volume of assets. Chapter 11 of this manual contains further information on other changes in the volume of assets. Further information on mineral and energy resources can be found in paragraphs 8.178 to 8.181 of this manual.

Transactions in non-cultivated biological resources (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 313, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 313, COFOG-A, SDC)

10.88 *Transactions in non-cultivated biological resources* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 313, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 313, COFOG-A, SDC) of non-cultivated biological resources. Paragraph 8.55 of the IMF GFSM 2014 states that similarly to the treatment of mineral and energy resources, depletion of non-cultivated biological resources is recorded as other changes in the volume of assets, and not as a transaction in non-financial assets. Chapter 11 of this manual contains further information on other changes in the volume of assets. Further information on non-cultivated biological resources can be found in paragraphs 8.182 to 8.184 of this manual.

Transactions in water resources (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 314, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 314, COFOG-A, SDC)

10.89 *Transactions in water resources* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 314, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 314, COFOG-A, SDC) of water resources. Paragraph 8.55 of the IMF GFSM 2014 states that similarly to the treatment of mineral and energy resources, depletion of water resources is recorded as other changes in the volume of assets, and not as a transaction in non-financial assets. Chapter 11 of this manual contains further information on other changes in the volume of assets. Further information on water resources can be found in paragraphs 8.185 to 8.186 of this manual.

Transactions in radio spectra (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 315, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 315, COFOG-A, SDC)

10.90 *Transactions in radio spectra* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 315, COFOG-A, SDC) and disposals (ETF 4211, NFAC 315, COFOG-A, SDC (excluding ETF 4113)) of the radio spectrum. Chapter 11 of this manual contains further information on other changes in the volume of assets. Further information on radio spectra can be found in paragraph 8.187 of this manual.

Transactions in tangible non-produced assets not elsewhere classified (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 319, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 319, COFOG-A, SDC)

10.91 *Transactions in tangible non-produced assets not elsewhere classified* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 319, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 319, COFOG-A, SDC) of tangible non-produced assets not elsewhere classified. Paragraph 8.55 of the IMF GFSM 2014 states that similarly to the treatment of mineral and energy resources, depletion of other non-produced assets such as natural resources not elsewhere classified is recorded as other changes in the volume of assets, and not as a transaction in non-financial assets. Further information on other changes in the volume of assets can be found in Chapter 11 of this manual. Further information on other natural resources not elsewhere classified can be found in paragraph 8.188 of this manual.

Transactions in intangible non-produced assets (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 32, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 32, COFOG-A, SDC)

10.92 *Transactions in intangible non-produced assets* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 32, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 32, COFOG-A, SDC) of intangible non-produced assets. In GFS, transactions in intangible non-produced assets are further classified as:

- Transactions in marketable operating leases (*for acquisitions:* ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 321, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 321, COFOG-A, SDC);

- Transactions in permits to use natural resources (*for acquisitions:* ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 322, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 322, COFOG-A, SDC);
- Transactions in permits to undertake specific activities (*for acquisitions:* ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 323, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 323, COFOG-A, SDC);
- Transactions in entitlement to future goods and services on an exclusive basis (*for acquisitions:* ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 324, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 324, COFOG-A, SDC);
- Transactions in goodwill and marketing assets (*for acquisitions:* ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 325, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 325, COFOG-A, SDC); and
- Transactions in intangible non-produced assets not elsewhere classified (*for acquisitions:* ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 329, COFOG-A, SDC (excluding ETF 4113) and *for disposals:* ETF 4211, NFAC 329, COFOG-A, SDC).

Transactions in marketable operating leases (for acquisitions: ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 321, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 321, COFOG-A, SDC)

10.93 *Transactions in marketable operating leases* record the value of acquisitions (ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 321, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 321, COFOG-A, SDC) of marketable operating leases. Further information on marketable operating leases can be found in paragraph 8.190 and Chapter 13 Part H of this manual.

Transactions in permits to use natural resources (for acquisitions: ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 322, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 322, COFOG-A, SDC)

10.94 *Transactions in permits to use natural resources* record the value of acquisitions (ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 322, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 322, COFOG-A, SDC) of permits to use natural resources. Further information on permits to use natural resources can be found in paragraph 8.191 and Chapter 13 Part H of this manual.

Transactions in permits to undertake specific activities (for acquisitions: ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 323, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 323, COFOG-A, SDC)

10.95 *Transactions in permits to undertake specific activities* record the value of acquisitions (ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 323, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 323, COFOG-A, SDC) of permits to undertake specific activities. Further information on permits to undertake specific activities can be found in paragraph 8.192 and Chapter 13 Part H of this manual.

Transactions in entitlement to future goods and services on an exclusive basis (for acquisitions: ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 324, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 324, COFOG-A, SDC)

10.96 *Transactions in entitlement to future goods and services on an exclusive basis* record the value of acquisitions (ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 324, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 324, COFOG-A, SDC) of entitlement to future goods and services on an exclusive basis. Further information on entitlements to future goods and services on an exclusive basis can be found in paragraph 8.194 of this manual.

Transactions in goodwill and marketing assets (for acquisitions: ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 325, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 325, COFOG-A, SDC)

10.97 *Transactions in goodwill and marketing assets* record the value of acquisitions (ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 325, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 325, COFOG-A, SDC) of goodwill and marketing assets. Paragraph 8.58 of the IMF GFSM 2014 notes that goodwill is only recorded in GFS when its value is evidenced by a market transaction, usually the sale / purchase of a whole corporation. The amortisation of goodwill and marketing assets or other intangible non-produced assets is treated as an other economic flow rather than a transaction in GFS. Chapter 11 of this manual contains further information on other economic flows. Further information on goodwill and marketing assets can be found in paragraphs 8.195 to 8.197 and paragraph 11.26 of this manual.

Transactions in intangible non-produced assets not elsewhere classified (for acquisitions: ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 329, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 329, COFOG-A, SDC)

10.98 *Transactions in intangible non-produced assets not elsewhere classified* record the value of acquisitions (ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 329, COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 329, COFOG-A, SDC) of other intangible non-produced assets that are not elsewhere classified. Further information on other intangible non-produced assets not elsewhere classified can be found in paragraphs 8.198 to 8.199 of this manual.

Transactions in other non-produced assets (for acquisitions: ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 33 and NFAC 339, COFOG-A, SDC (excluding ETF 4113) and for disposals: ETF 4211, NFAC 33 and NFAC 339, COFOG-A, SDC)

10.99 *Transactions in other non-financial non-produced assets* record the value of acquisitions (ETF 4112; or ETF 4113; or ETF 4114; or ETF 4115; or ETF 4116, NFAC 33 and NFAC 339 , COFOG-A, SDC (excluding ETF 4113)) and disposals (ETF 4211, NFAC 33 and NFAC 339 , COFOG-A, SDC) of other non-financial non-produced assets. Further information on other non-financial non-produced assets not elsewhere classified can be found in paragraphs 8.200 to 8.201 of this manual.

CHAPTER 11 - OTHER ECONOMIC FLOWS

PART A - INTRODUCTION

11.1 At the broadest level, flows in GFS are subdivided between transactions and other economic flows. Other economic flows are defined as changes in the volume or value of assets and liabilities that do not result from transactions. There are two types of other economic flows in GFS. These are:

- Holding gains / losses (also referred to as revaluations in GFS); and
- Other changes in the volume of assets and liabilities (also referred to as other volume changes in GFS).

11.2 This chapter describes the concepts of holding gains and losses and other changes in the volume of assets and liabilities in GFS, including the valuation and time of recording of other economic flows. This chapter also describes changes in net worth due to other economic flows, and the classification of other economic flows in GFS.

PART B - HOLDING GAINS AND LOSSES (REVALUATIONS)

11.3 Holding gains and losses (sometimes referred to as revaluations in GFS) are defined as changes in the current market value of an asset or liability resulting from changes in the level and structure of prices, assuming that the asset or liability has not changed qualitatively or quantitatively. Paragraph 10.1 of the IMF GFSM 2014 notes that holding gains or losses can apply to almost all assets or liabilities in GFS, and in the case of assets and liabilities expressed in a foreign currency, includes gains and losses resulting from changes in exchange rates. Capital gains and losses made on the sale of assets (other than inventories) are recorded as holding gains and losses in GFS, and not as revenues.

11.4 Paragraph 10.1 of the IMF GFSM 2014 further notes that in GFS, holding gains or losses affects net worth, and the words gain and loss are used in reference to the direction of the change in net worth. A flow that increases the value of an asset or decreases the value of a liability will increase net worth and is referred to as a holding gain. A flow that decreases the value of an asset or increases the value of a liability will decrease net worth and is referred to as a holding loss. Due to the counterparty relationship between financial assets and liabilities in GFS (see paragraph 8.10 of this manual), any references to financial assets in this chapter can also be assumed to refer to liabilities. The basis for valuing flows and stocks is the current market value. Therefore, changes in the current market values of stocks are recorded as holding gains or losses, whether the holding gain or loss is realised or not.

11.5 Paragraph 10.5 of the IMF GFSM 2014 specifies that it does not matter whether an asset is held for the entire reporting period; acquired during the reporting period and held until the end of the reporting period; held at the beginning of the reporting period and disposed of during the reporting period; or acquired and disposed of within the same reporting period. In each case, a holding gain or loss is possible and must be recorded for the value of the entire difference between the value of the asset or liability in the opening balance sheet date (or at the time of acquisition of an asset or liability during the reporting period) and the value of the asset or liability at the closing balance sheet date (or at the time of disposal of an asset during the reporting period).

11.6 Holding gains and losses may be described as realised or unrealised in GFS. Paragraph 10.6 of the IMF GFSM 2014 defines a realised holding gain (or loss) as occurring when an asset is sold, redeemed, used or otherwise disposed of, or when a liability incorporating a holding gain (or loss) is repaid during the reporting period. The value of transactions in assets or liabilities include the value of realised holding gains or losses. An unrealised holding gain (or loss) is one that is accruing on an asset which is still owned or held, or a liability that is still outstanding at the end of the reporting period. The values of assets and liabilities held at the closing balance sheet date will indicate the presence of any unrealised holding gains or losses when compared with the same values at the opening balance sheet date.

11.7 Holding gains and losses are further defined as neutral holding gains and losses and real holding gains in GFS. Paragraph 10.11 of the IMF GFSM 2014 indicates that a neutral holding gain or loss is the value of a holding gain or loss that would accrue if the price of the asset (or liability) changed in the same proportion as the general price level. It is the value needed to preserve the real value of the asset. A real holding gain is the value accruing to an asset as a result of a change in its price relative to the prices of goods and services in general. An increase in the relative price of an asset leads to a positive real holding gain and a decrease in the relative price of an asset leads to a negative real holding gain.

11.8 Holding gains and losses do not include changes in the value of assets or liabilities resulting from changes in the quantity or quality of the asset or liability. Any changes to the quality or quantity of an asset or liability is recorded as other changes in the volume of assets and liabilities. Changes in the value of non-financial assets due to normal wear and tear in the process of production are recorded as depreciation of non-financial produced assets and not as holding gains or losses. Paragraph 10.8 of the IMF GFSM 2014 notes in particular:

I. The decline in the value of non-financial produced assets due to physical deterioration and normal rates of obsolescence is recorded as depreciation of fixed assets (non-defence) (ETF 1241, NFAC, COFOG-A), or depreciation of fixed assets (defence) (ETF 1242, NFAC, COFOG-A), and is not a holding loss.

II. Debt securities (such as bills or bonds) issued at a discount may increase in value progressively prior to redemption because of the accrual of interest. In GFS, this interest is recorded as interest income (ETF 1131, SDC) and is not a holding gain.

PART C - OTHER CHANGES IN THE VOLUME OF ASSETS AND LIABILITIES

11.9 Other changes in the volume of assets and liabilities (also referred to as other volume changes in GFS) are defined in paragraph 10.1 of the IMF GFSM 2014 as any change in the volume of an asset or liability that does not result from a transaction or a holding gain. Therefore, other changes in the volume of assets and liabilities result from events that change the quality and quantity of existing assets or liabilities.

11.10 Other changes in the volume of assets include events that bring about an addition of stocks of assets or liabilities to the balance sheet, or a removal (or part-removal) of stocks of assets or liabilities from the balance sheet, resulting in a change to net worth. Examples of events that result in additions to net worth include increases in the stock of non-financial non-produced assets through mineral discoveries, or the recognition of assets not previously included in the balance sheet. Examples of events that result in reductions of net worth include the unilateral writing off of bad debts by creditors, destruction of assets by fire (or other catastrophic events), or the depletion of natural assets (e.g. forest, fisheries) as a result of physical removal or use. Also included in other volume changes are changes to net worth resulting from reclassifications of pre-existing assets or liabilities.

11.11 Paragraph 10.46 of the IMF GFSM 2014 describes other changes in the volume of assets and liabilities as falling into three main categories:

I. The entrance and exit of assets and liabilities on the balance sheet as a result of normal events other than transactions - these involve the appearance or disappearance of existing resources as economic assets, such as naturally occurring assets (e.g. discovery of mineral deposits), or assets created by human activity (e.g. recognition of valuables or other assets not previously recognised).

II. The effects of exceptional, unanticipated external events (such as natural disasters and war) affecting the quality of assets and corresponding liabilities.

III. Changes to assets and liabilities that reflect changes in the classification of the sector or structure of institutional units or in the classification of assets or liabilities.

Entrance or exit of assets and liabilities on the GFS balance sheet

11.12 The appearance or disappearance of assets and liabilities on the GFS balance sheet are recorded through an other change in the volume of assets and liabilities entry in the GFS accounts. Paragraph 10.48 of the IMF GFSM 2014 states that events such as this, include the addition of resources on the GFS balance sheet that were previously not recognised as economic assets but have become so due to an event that gives the resources the capability to provide economic benefits and enforceable ownership rights over them. Such a situation may come about as a result of changes in the relative price of a particular resource, improvements in technology, changes to laws or restrictions relating to the resource, or other changes that transform the resource into an economic asset (for the definition, see paragraphs 8.4 to 8.7 of this manual). Conversely, an economic asset may need to be removed from the balance sheet because it is no longer capable of supplying economic benefits, or because the owner is no longer willing or capable of exercising ownership rights over the asset. In each of these cases, the addition or removal of economic assets from the balance sheet are recorded through an other change in the volume of assets and liabilities entry in the GFS accounts.

11.13 In GFS, financial assets and liabilities may appear or disappear from the balance sheet in several ways. Paragraph 10.57 of the IMF GFSM 2014 gives two examples as:

- Debt write off: a creditor may determine that a financial claim can no longer be collected because of the debtor's bankruptcy, or other factors such as a court order. If so, the creditor writes off the debt and removes the claim from their balance sheet by means of an entry in other changes in the volume of assets. The write off may be full or partial. Debt write off is further discussed in Chapter 13 Part B of this manual.
- Debt assumption: a general government unit may assume a liability from a public sector unit or corporation as part of a bailout operation. Note that in Australian GFS, debt assumption is recorded as *transactions in financial assets (net)* (ETF 3111, FALC 152, SDC) or (ETF 3211, FALC 252, SDC) rather than reclassifications of financial assets / liabilities through other changes in the volume of assets and liabilities as is suggested in the IMF GFSM 2014. Debt assumption is further discussed in Chapter 13 Part B of this manual.

11.14 Common appearances and disappearances of assets and liabilities on the GFS balance sheet also relate to non-produced assets. Paragraph 10.52 of the IMF GFSM 2014 explains the balance sheet effects of the entrance and exit of naturally occurring assets. Some of this information has been reproduced in Box 11.1 below:

Box 11.1 - Other changes in the volume of assets - naturally occurring assets

The entrance and exit of naturally occurring assets on the balance sheet that must be recorded through an other change in the volume of assets and liabilities entry in the GFS accounts include:

Discoveries or extractions and upwards / downward reappraisals of subsoil resources - the volume of subsoil resources may increase in the balance sheet by the discovery of new exploitable deposits, whether as a result of systematic scientific explorations or surveys, or by chance. An economic asset may also be added to the balance sheet because a deposit of subsoil minerals may become economically exploitable as a result of technological progress or relative price changes. Conversely, these resources may decrease in the balance sheet by the depletion of deposits of subsoil assets as a result of the physical extraction and using up of the assets, or from downward reappraisals that reduce their exploitability because of changes in technology or relative prices.

Natural growth / harvesting of uncultivated biological resources - when governments own uncultivated biological resources such as natural forests and fish stocks, their natural growth may take various forms: a stand of natural timber may grow taller, or fish in the estuaries may become more numerous. The depletion of natural forests, fish stocks in the open seas, and other uncultivated biological resources included in the asset boundary of general government as a result of harvesting, forest clearance, or other use beyond sustainable levels of extraction are economic disappearances of assets and should be recorded as negative other changes in the volume of assets and liabilities.

Transfers of other natural resources to / out of economic activity - not all land included in the geographic surface area of a country is necessarily within the asset boundary of GFS. Land may make its economic appearance on the GFS balance sheet when, for example, general economic development in nearby areas transform the land from a wild or waste state to a state in which ownership rights can be enforced and the land can be put to economic use. It may also acquire value because of activity in the vicinity, for example, land that becomes more desirable because a new development is established nearby or the creation of an access road. Any excess in the increase in value of the land over the value of land improvements or any increase due to adjacent capital activity is recorded through an other change in the volume of assets and liabilities entry in the accounts. For virgin forests, gathering firewood is not commercial exploitation, but large-scale harvesting of a virgin forest for timber is and brings the forest into the asset boundary. Similarly, drawing water from a natural spring does not bring an aquifer into the asset boundary of GFS, but a significant diversion of ground water does. A move to charge for regular extraction from a body of surface water may also bring a water resource into the balance sheet. A government unit can create an economic asset by exerting ownership rights over a naturally occurring asset that had not previously been recognised as an asset, such as the electromagnetic spectrum or fish stocks in exclusive economic zones. When it does so, the asset enters the balance sheet through other changes in the volume of assets. It is possible that some natural resources cease to be deployed in economic activity because of changing technology, reduced demand for the resulting product, or for legislative reasons.

Quality changes in natural resources due to changes in economic uses - in this case, the asset is already within the asset boundary, and it is the change in quality of the asset due to changes in its economic use that is regarded as the appearance of additional volumes of the asset. For example, the reclassification of cultivated land to land underlying buildings may also result in a change in the balance sheet value that is effected through other change in the volume of the

asset. All degradation of land, water resources, and other natural assets caused by economic activity is recorded as negative other changes in the volume of assets. The degradation may be an anticipated result from regular economic activity or less predictable erosion and other damage to land from deforestation or improper agricultural practices. The difference between a quality change and a price change is a matter of degree, and it may not always be clear whether other changes in the volume of assets or a holding gain is most appropriate.

Source: Based on paragraph 10.52, International Monetary Fund Government Finance Statistics Manual, 2014.

The effects of exceptional, unanticipated external events on assets and corresponding liabilities.

11.15 Other changes in the volume of assets and liabilities also record the balance sheet effects of a reduction in the value of an asset (or even its total disappearance) that is not related to the nature of the asset, but to conditions prevailing in the economy that impact either the value or the ownership of assets. These types of events may be the result of catastrophic losses, or the seizure of assets by government units:

- Catastrophic losses - these are defined as the partial or complete destruction of a significantly large number of assets within any of the asset categories resulting from a large-scale, discrete, and recognisable event. Paragraph 10.60 of the IMF GFSM 2014 describes these types of events as including major earthquakes, volcanic eruptions, tidal waves, exceptionally severe cyclones, droughts, and other natural disasters; acts of war, riots, and other political events; and technological accidents such as major toxic spills or release of radioactive particles into the air. Included here are such major losses as deterioration in the quality of land caused by abnormal flooding or wind damage; destruction of cultivated assets by drought or outbreaks of disease; destruction of buildings, equipment, or valuables in forest fires or earthquakes. An entry in other changes in the volume of assets and liabilities is recorded to reduce or eliminate the value of any asset damaged or destroyed through catastrophic losses
- Paragraph 10.61 of the IMF GFSM 2014 states that although produced assets are the most likely candidates to be damaged or destroyed by a catastrophic loss, non-produced assets and financial assets are also subject to damage or destruction. For example, major decreases in the value of land and other natural assets caused by abnormal flooding or wind damage, or the accidental destruction of currency or bearer securities as a result of natural catastrophes or abnormal political events would be included.
- Seizure of assets - government units may take possession of the assets of other institutional units without full compensation. Paragraph 10.62 of the IMF GFSM 2014 indicates that such seizures of assets (whether legal or illegal) are not classified as capital transfers in GFS because they do not take place by mutual agreement of the units involved. The current market value of seized assets is recorded as an other change in the volume of assets and liabilities entry to add the seized assets to the government accounts. The difference between the market value of the assets seized and any compensation provided is recorded as other changes in the volume of assets and liabilities in the event of a compensated seizure. Foreclosures and repossessions of assets by creditors are treated as transactions rather than other changes in the volume of assets and liabilities because the contractual agreement between debtor and creditor provides this avenue of recourse.

Changes in the classification of assets and liabilities

11.16 A reclassification rearranges the classification of assets and liabilities without changing the net worth of the unit or sector involved. Paragraph 10.76 of the IMF GFSM 2014 indicates that the composition of the general government or public sector's balance sheet may change because there has been a change in the sector or structure of an institutional unit, or category of assets or liabilities.

Changes in sector classification and structure

11.17 An entire unit may be reclassified from the general government sector to another sector, or to the general government sector from another sector without a change of ownership or control (for definition, see Chapter 2 Part G, and paragraph 8.3 of this manual). Paragraph 10.77 of the IMF GFSM 2014 states that this type of reclassification usually is needed when a unit begins (or ceases) to sell its output at economically significant prices (for definition, see paragraph 2.32 of this manual). When a unit is reclassified out of the general government sector, all of the unit's assets and liabilities are removed from the general government sector through other changes in the volume of assets and liabilities account entries. The reverse applies if a unit is reclassified into the general government sector. When a public corporation is privatised, all of the unit's assets, liabilities, and net worth are reclassified from the public corporations sector to the private corporations sector.

11.18 A change in the structure of units is also recorded as other changes in the volume of assets and liabilities. Paragraph 10.78 of the IMF GFSM 2014 gives an example of changes in the structure of units as occurring in cases where two general government units merge into a single unit, or a single general government unit may split into two units due to administrative re-arrangements (known as machinery of government changes). When two units are merged, all financial claims and liabilities that existed between them are eliminated in GFS. Symmetrically, when a unit is split into two or more units, new financial claims and liabilities may appear between the new units.

Reclassification of assets and liabilities

11.19 Sometimes it may be necessary to reclassify existing assets and liabilities from one category to another in GFS. Paragraph 10.80 of the IMF GFSM 2014 indicates that this usually occurs when there is a change in the use or purpose of an asset. The change in classification is recorded as other changes in the volume of assets and liabilities with the same value for both entries, and so there is no effect on net worth. If the change in the use or purpose of an asset also means a change in its value, then a second entry in other changes in the volume of assets and liabilities is recorded for the change in value rather than a holding gain or loss. The change in value is not recorded as a holding gain because the value increase is due to a change in the use or purpose of the asset, and not due to a price change in the value of the asset held.

11.20 Paragraph 10.84 of the IMF GFSM 2014 gives the following examples of changes in the classification of financial assets and liabilities:

- When monetary gold held in the form of gold bullion becomes a reserve asset, it enters the financial part of the balance sheet as a reclassification from *valuables* (NFAC 221) to *monetary gold (bullion)* (FALC 113) via an other changes in the volume of assets entry in the accounts. When allocated gold accounts become reserve assets they are also reclassified from *valuables* (NFAC 221) to *monetary gold (allocated and unallocated)* (FALC 114) via an other changes in the volume of assets in the accounts. When unallocated gold accounts become reserve assets they are reclassified from *cash and deposits* (FALC 111) to *monetary gold (allocated and unallocated)* (FALC 114), also through an other changes in the volume of assets entry in the accounts. Monetary gold is further discussed in paragraphs 8.64 to 8.66 of this manual.
- When loans become tradeable, a reclassification is recorded from *advances other than concessional loans* (FALC 133) to *debt securities* (FALC 121) through an other changes in the volume of assets entry. A similar reclassification will apply if concessional loans become tradeable (recorded as *advances - concessional loans* (FALC 132)).
- When government units acquire equity in a public corporation or quasi-corporation as a result of legislation or an administrative change, this event will amount to a reclassification of the existing assets and liabilities that results in an addition of shares and other equity to the balance sheets of both entities through an other changes in the volume of assets entry. Equity is further discussed in paragraphs 8.77 to 8.80 of this manual.

PART D - THE VALUATION OF OTHER ECONOMIC FLOWS

11.21 The basis for the valuation of flows and stocks in GFS is the current market value. Therefore, changes in the current market values of stocks of assets and liabilities should be recorded as holding gains or losses (also known as revaluations), whether the holding gain or loss is realised or not. In practice, it is not always possible to record a current market value for non-financial assets owned by government if no identifiable market exists. In this case holding gains and losses may be under-recorded in any given accounting period. Valuation at current market prices is most likely for public sector owned financial assets and liabilities that are traded on financial markets. The value of changes in the quantity or quality of financial assets and liabilities should also be recorded at the current market value equivalent where possible.

PART E - THE TIME OF RECORDING OF OTHER ECONOMIC FLOWS

11.22 Other economic flows can take place at a single point in time or continuously throughout the reporting period, and should be recorded accordingly. For example, the destruction of an asset by fire happens at a specific point in time, whereas holding gains and losses occur continuously for as long as the asset is held. Any changes in structure and classification of institutional units or assets / liabilities should be recorded at the moment the unit or asset / liability is re-classified into a different category. In practice, it may not be possible to continuously record stocks of assets or liabilities at current market values. In this case, the current market value of holding gains / losses and other changes in the volume of assets and liabilities are calculated at the end of each reporting period, or at the time an economic event (such as the sale or disposal of an asset) occurs.

The time of recording holding gains / losses

11.23 In concept, holding gains and losses occur continuously because prices change continuously. Paragraph 10.7 of the IMF GFSM 2014 recommends that holding gains or losses should be recorded whenever a price change occurs. This may be at a different time from when the holding gain is realised. The correct value of the revaluation must cover the full value of the holding gains or losses that arose during the reporting period if unrealised, or up to the point of disposal if realised. In reality, holding gains for the entire reporting period are normally estimated at the end of the reporting period, or when an asset is sold or disposed of, or a liability incorporating a holding gain or loss is repaid.

The time of recording of other volume changes

11.24 Other changes in the volume of assets and liabilities should be recorded at the time that the relevant economic event occurs. Some other volume changes occur continuously or at frequent intervals, such as the depletion of subsoil and other naturally occurring assets, or environmental damage to assets. Paragraph 10.52 of the IMF GFSM 2014 states that it may be difficult to determine the exact time that a natural asset should be added to the GFS balance sheet. Often this is the date at which the first substantial commercial exploration or the signing of a contract to permit commercial exploitation is used to establish the time of recording.

11.25 Paragraphs 10.53 and 10.54 of the IMF GFSM 2014 include the following guidance on the time of recording other volume changes on other items as appears in Table 11.1 below:

Table 11.1 - The time of recording other volume changes on other items

The time of recording other volume changes on contracts, leases, and licences.	Assets in the form of contracts, leases, and licences are recognised on the GFS balance sheet only when the value of the asset can be realised. In this case, they are first recorded as other changes in the volume of assets and liabilities, and subsequently form the basis of a transaction, or series of transactions ((*for acquisitions:* the appropriate category within ETF 411, and the appropriate category within NFAC 32) or (*for disposals:* ETF 4211, the appropriate category within NFAC 32,)). The value of the contract, lease, or licence treated as an asset is equal to the present value of the excess of the prevailing price over the contract price. The value will decline as the period of the agreement declines and the difference in price is no longer evident. Changes in the value of the contract, lease, or licence due to changes in the prevailing price are recorded as holding gains or losses (revaluations); changes due to the expiration of the time over which the contract, lease or licence is valid (that is, the amortisation of the asset) are recorded as other changes in volume of assets and liabilities. The rate at which the value is written off should be in accordance with generally accepted accounting principles.
The time of recording other volume changes on purchased goodwill and marketing assets	When an enterprise (whether a corporation, quasi-corporation, or unincorporated enterprise) is sold, the price paid may not equal the sum of all the assets less the liabilities of the enterprise. The difference between the price paid and the sum of all the assets less liabilities is called the purchased goodwill and marketing assets of the enterprise. The value may be positive or negative (or zero). By its calculation and designation as an asset of the enterprise, the net worth of the enterprise at the moment it is bought is exactly zero, whatever the legal status of the enterprise. Paragraph 10.55 of the IMF GFSM 2014 states that the value of purchased goodwill and marketing assets is calculated at the time of the sale that is entered in the books of the seller as other changes in the volume of assets. Subsequently, it is then exchanged as a transaction with the purchaser (*for acquisitions:* select the appropriate category within ETF 411, NFAC 325). Thereafter, the value of the purchased goodwill and marketing asset must be written down in the books of the purchaser via entries under other changes in the volume of assets. The rate at which it is written down should be in accordance with generally accepted accounting principles.

	Goodwill that is not evidenced by a sale or purchase is not considered to be an economic asset in GFS. Paragraph 10.56 of the IMF GFSM 2014 indicates that in some exceptions, a marketing asset may be subject to sale. When this is so, entries should be made for the buyer and the seller along the lines of those made for purchased goodwill and marketing assets when the entire enterprise is sold.

PART F - CHANGE IN NET WORTH

11.26 The main purpose for the recording of other economic flows in GFS is to record the effects on net worth. Other economic flows are recorded in the statement of stocks and flows, the statement of stocks and flows of financial assets and liabilities by source, and the statement of total changes in net worth. Paragraph 10.2 of the IMF GFSM 2014 describes the *change in net worth due to other economic flows* as the sum of the change in net worth due to holding gains or losses and the change in net worth due to other changes in the volume of assets. In particular:

- The *change in net worth due to holding gains and losses* is defined as the sum of the positive or negative holding gains on all assets and liabilities.
- The *change in net worth due to other changes in volume* is defined as the sum of the positive and negative other changes in the volume of assets and liabilities.

11.27 The types of other economic flow events that add to net worth include the discovery and extraction of mineral deposits or other subsoil assets, natural growth of uncultivated biological resources (such as natural forests or fish stocks) and the recognition of assets not currently included in the balance sheet. The type of events that result in reductions to net worth include the unilateral writing off of bad debts by creditors, destruction of assets by fire (or other catastrophe) and the depletion of naturally occurring assets (e.g. virgin forests, fisheries) as a result of physical removal or use. Also included in other volume changes are changes to net worth resulting from reclassifications of institutional units, or assets / liabilities.

11.28 Paragraph 10.3 of the IMF GFSM 2014 states that many other economic flows change both the value of an asset or a liability and the value of net worth by the same amount. For example, holding gains that lead to an increase in the value of assets increase net worth. In contrast, other economic flows related to reclassifications do not affect total net worth. These reclassifications change the value of two assets or two liabilities by the same amount but with opposite signs, or they change one asset and one liability by the same amount, for example, the reclassification of a loan when it becomes negotiable.

PART G - THE CLASSIFICATION OF OTHER ECONOMIC FLOWS

11.29 In GFS, other economic flows are classified in the economic type framework (ETF) in the *other economic flows of assets and liabilities classification* (ETF 5). Table 11.2 below shows the broad classification of other economic flows of assets and liabilities as it appears in the economic type framework (ETF).

Table 11.2 - The broad classification of other economic flows of assets and liabilities

Descriptor	**ETF**
Other economic flows of assets and liabilities	**5**
Holding gains and losses (revaluations)	**51**
Holding gains and losses (revaluations)	**511**
Holding gains and losses on financial assets	5111
Holding gains and losses on non-financial assets	5112
Holding gains and losses on liabilities	5113
Change in net worth due to holding gains and losses	**512**
Change in net worth due to holding gains and losses	5121
Other changes in volume	**52**
Other changes in volume	**521**
Other changes in the volume of financial assets	5211

Other changes in the volume of non-financial assets	5212
Other changes in the volume of liabilities	5213
Change in net worth due to other changes in volume	**522**
Change in net worth due to other changes in volume	5221

11.30 Additional classifications to those set out in Table 11.2 above are required to populate the statement of stocks and flows, the statement of stocks and flows of financial assets and liabilities by source, and the statement of total changes in net worth. These additional classifications include the:

- Financial asset and liability classification (FALC) - this identifies financial assets and liabilities by type of asset / liability (for further information on the FALC, see paragraphs 4.53 to 4.58, 8.54 to 8.109, and Appendix 1 Part A of this manual); and
- Non-financial asset classification (NFAC) - this classification is used to identify non-financial assets by type of asset (for further information on the NFAC, see paragraphs 4.59 to 4.70 and paragraphs 8.110 to 8.200, and Appendix 1 Part A of this manual).

11.31 The detailed classification of the other economic flows of assets and liabilities is shown in Table 11.3 below. This shows a hierarchical classification of financial assets, non-financial assets and liabilities in the context of either holding gains or losses (revaluations) or other changes in volume. Also shown are the additional classifications required to record other economic flows of assets and liabilities in GFS.

Table 11.3 - The detailed classification of other economic flows of assets and liabilities

Descriptor	Holding gains and losses (revaluations)	Other changes in volume
Other economic flows of assets and liabilities	**ETF 5**	**ETF 5**
Financial assets	**ETF 5111 FALC 1**	**ETF 5211 FALC 1**
Currency and deposits	**ETF 5111 FALC 11**	**ETF 5211 FALC 11**
Cash and deposits	ETF 5111 FALC 111	ETF 5211 FALC 111
Special Drawing Rights (SDRs)	ETF 5111 FALC 112	ETF 5211 FALC 112
Monetary gold (bullion)	ETF 5111 FALC 113	ETF 5211 FALC 113
Monetary gold (allocated and unallocated)	ETF 5111 FALC 114	ETF 5211 FALC 114
Debt securities and related assets	**ETF 5111 FALC 12**	**ETF 5211 FALC 12**
Debt securities	ETF 5111 FALC 121	ETF 5211 FALC 121
Financial derivatives	ETF 5111 FALC 122	ETF 5211 FALC 122
Employee stock options	ETF 5111 FALC 123	ETF 5211 FALC 123
Equity including contributed capital	ETF 5111 FALC 124	ETF 5211 FALC 124
Investment fund shares or units	ETF 5111 FALC 125	ETF 5211 FALC 125
Loans and placements	**ETF 5111 FALC 13**	**ETF 5211 FALC 13**
Finance leases	ETF 5111 FALC 131	ETF 5211 FALC 131
Advances - concessional loans	ETF 5111 FALC 132	ETF 5211 FALC 132

Advances other than concessional loans	ETF 5111 FALC 133	ETF 5211 FALC 133
Loans and placements not elsewhere classified	ETF 5111 FALC 139	ETF 5211 FALC 139
Insurance, superannuation and standardised guarantee schemes	**ETF 5111 FALC 14**	**ETF 5211 FALC 14**
Non-life insurance technical reserves	ETF 5111 FALC 141	ETF 5211 FALC 141
Life insurance and annuities entitlements	ETF 5111 FALC 142	ETF 5211 FALC 142
Provisions for defined benefit superannuation	ETF 5111 FALC 143	ETF 5211 FALC 143
Claims of superannuation funds on superannuation manager	ETF 5111 FALC 144	ETF 5211 FALC 144
Provisions for calls under standardised guarantee schemes	ETF 5111 FALC 145	ETF 5211 FALC 145
Other financial assets	**ETF 5111 FALC 15**	**ETF 5211 FALC 15**
Provisions for employee entitlements other than superannuation	ETF 5111 FALC 151	ETF 5211 FALC 151
Accounts receivable	ETF 5111 FALC 152	ETF 5211 FALC 152
Other financial assets not elsewhere classified	ETF 5111 FALC 159	ETF 5211 FALC 159
Fixed assets	**ETF 5112 NFAC 1 NFAC 2 NFAC 3**	**ETF 5212 NFAC 1 NFAC 2 NFAC 3**
Fixed assets	**ETF 5112 NFAC 1**	**ETF 5212 NFAC 1**
Buildings and structures	**ETF 5112 NFAC 11**	**ETF 5212 NFAC 11**
Dwellings	ETF 5112 NFAC 111	ETF 5212 NFAC 111
Buildings other than dwellings	ETF 5112 NFAC 112	ETF 5212 NFAC 112
Land improvements	ETF 5112 NFAC 113	ETF 5212 NFAC 113
Structures not elsewhere classified	ETF 5112 NFAC 119	ETF 5212 NFAC 119
Machinery and equipment	**ETF 5112 NFAC 12**	**ETF 5212 NFAC 12**
Transport equipment	ETF 5112 NFAC 121	ETF 5212 NFAC 121
Information, computer, and telecommunications equipment	ETF 5112 NFAC 122	ETF 5212 NFAC 122
Machinery and equipment not elsewhere classified	ETF 5112 NFAC 129	ETF 5212 NFAC 129
Cultivated biological resources	**ETF 5112 NFAC 13**	**ETF 5212 NFAC 13**
Animal resources yielding repeat products	ETF 5112 NFAC 131	ETF 5212 NFAC 131
Tree, crop, and plant resources yielding repeat products	ETF 5112 NFAC 132	ETF 5212 NFAC 132
Intellectual property products	**ETF 5112 NFAC 14**	**ETF 5212 NFAC 14**

Research and development	ETF 5112 NFAC 141	ETF 5212 NFAC 141
Mineral exploration and evaluation	ETF 5112 NFAC 142	ETF 5212 NFAC 142
Computer software	ETF 5112 NFAC 143	ETF 5212 NFAC 143
Databases	ETF 5112 NFAC 144	ETF 5212 NFAC 144
Entertainment, literary, and artistic originals	ETF 5112 NFAC 145	ETF 5212 NFAC 145
Intellectual property products not elsewhere classified	ETF 5112 NFAC 149	ETF 5212 NFAC 149
Weapons systems	**ETF 5112 NFAC 15**	**ETF 5212 NFAC 15**
Weapons systems	ETF 5112 NFAC 151	ETF 5212 NFAC 151
Other produced assets	**ETF 5112 NFAC 2**	**ETF 5212 NFAC 2**
Inventories	**ETF 5112 NFAC 21**	**ETF 5212 NFAC 21**
Inventories - materials and supplies	ETF 5112 NFAC 211	ETF 5212 NFAC 211
Inventories - work in progress	ETF 5112 NFAC 212	ETF 5212 NFAC 212
Inventories - finished goods	ETF 5112 NFAC 213	ETF 5212 NFAC 213
Inventories - goods for resale	ETF 5112 NFAC 214	ETF 5212 NFAC 214
Military inventories	ETF 5112 NFAC 215	ETF 5212 NFAC 215
Valuables	**ETF 5112 NFAC 22**	**ETF 5212 NFAC 22**
Valuables	ETF 5112 NFAC 221	ETF 5212 NFAC 221
Other produced assets	**ETF 5112 NFAC 23**	**ETF 5212 NFAC 23**
Other produced assets not elsewhere classified	ETF 5112 NFAC 239	ETF 5212 NFAC 239
Non-produced assets	**ETF 5112 NFAC 3**	**ETF 5212 NFAC 3**
Tangible non-produced assets	**ETF 5112 NFAC 31**	**ETF 5212 NFAC 31**
Land	ETF 5112 NFAC 311	ETF 5212 NFAC 311
Mineral and energy resources	ETF 5112 NFAC 312	ETF 5212 NFAC 312
Non-cultivated biological resources	ETF 5112 NFAC 313	ETF 5212 NFAC 313
Water resources	ETF 5112 NFAC 314	ETF 5212 NFAC 314
Radio spectra	ETF 5112 NFAC 315	ETF 5212 NFAC 315
Tangible non-produced assets not elsewhere classified	ETF 5112 NFAC 319	ETF 5212 NFAC 319
Intangible non-produced assets	**ETF 5112 NFAC 32**	**ETF 5212 NFAC 32**

Marketable operating leases	ETF 5112 NFAC 321	ETF 5212 NFAC 321
Permits to use natural resources	ETF 5112 NFAC 322	ETF 5212 NFAC 322
Permits to undertake specific activities	ETF 5112 NFAC 323	ETF 5212 NFAC 323
Entitlement to future goods and services on an exclusive basis	ETF 5112 NFAC 324	ETF 5212 NFAC 324
Goodwill and marketing assets	ETF 5112 NFAC 325	ETF 5212 NFAC 325
Intangible non-produced assets not elsewhere classified	ETF 5112 NFAC 329	ETF 5212 NFAC 329
Other non-produced assets	**ETF 5112 NFAC 33**	**ETF 5212 NFAC 33**
Other non-produced assets not elsewhere classified	ETF 5112 NFAC 339	ETF 5212 NFAC 339
Liabilities	**ETF 5113 FALC 2**	**ETF 5213 FALC 2**
Currency and deposits	**ETF 5113 FALC 21**	**ETF 5213 FALC 21**
Cash and deposits	ETF 5113 FALC 211	ETF 5213 FALC 211
Special Drawing Rights (SDRs)	ETF 5113 FALC 212	ETF 5213 FALC 212
Debt securities and related liabilities	**ETF 5113 FALC 22**	**ETF 5213 FALC 22**
Debt securities	ETF 5113 FALC 221	ETF 5213 FALC 221
Financial derivatives	ETF 5113 FALC 222	ETF 5213 FALC 222
Employee stock options	ETF 5113 FALC 223	ETF 5213 FALC 223
Equity including contributed capital	ETF 5113 FALC 224	ETF 5213 FALC 224
Investment fund shares or units	ETF 5113 FALC 225	ETF 5213 FALC 225
Loans and placements	**ETF 5113 FALC 23**	**ETF 5213 FALC 23**
Finance leases	ETF 5113 FALC 231	ETF 5213 FALC 231
Advances - concessional loans	ETF 5113 FALC 232	ETF 5213 FALC 232
Advances other than concessional loans	ETF 5113 FALC 233	ETF 5213 FALC 233
Loans and placements not elsewhere classified	ETF 5113 FALC 239	ETF 5213 FALC 239
Insurance, superannuation and standardised guarantee schemes	**ETF 5113 FALC 24**	**ETF 5213 FALC 24**
Non-life insurance technical reserves	ETF 5113 FALC 241	ETF 5213 FALC 241
Life insurance and annuities entitlements	ETF 5113 FALC 242	ETF 5213 FALC 242
Provisions for defined benefit superannuation	ETF 5113 FALC 243	ETF 5213 FALC 243
Claims of superannuation funds on superannuation manager	ETF 5113 FALC 244	ETF 5213 FALC 244

Provisions for calls under standardised guarantee schemes	ETF 5113 FALC 245	ETF 5213 FALC 245
Other liabilities	**ETF 5113 FALC 25**	**ETF 5213 FALC 25**
Provisions for employee entitlements other than superannuation	ETF 5113 FALC 251	ETF 5213 FALC 251
Accounts payable	ETF 5113 FALC 252	ETF 5213 FALC 252
Other liabilities not elsewhere classified	ETF 5113 FALC 259	ETF 5213 FALC 259
CHANGE IN NET WORTH (due to revaluations and due to other volume changes)	**ETF 512**	**ETF 522**
Change in net worth (due to revaluations and due to other volume changes)	ETF 5121	ETF 5221

11.32 The following paragraphs discuss the classification of holding gains and losses in the context of financial assets and liabilities, non-financial assets, and the change in net worth due to holding gains and losses. The letters and numbers in brackets after each classification category are the GFS classification codes related to each category.

THE CLASSIFICATION OF HOLDING GAINS AND LOSSES (*FOR FINANCIAL ASSETS:* ETF 5111, FALC 1 AND *FOR LIABILITIES:* ETF 5113, FALC 2)

11.33 The classification of *holding gains and losses* (*for financial assets:* ETF 5111, FALC 1 and *for liabilities:* ETF 5113, FALC 2) record the value of holding gains and losses on financial assets (ETF 5111, FALC 1) and liabilities (ETF 5113, FALC 2) during the reporting period. In this chapter, holding gains and losses on financial assets and liabilities are discussed together to emphasise the counter party relationship between financial assets and liabilities. In GFS, holding gains and losses on financial assets and liabilities are further classified as:

- Holding gains and losses on *currency and deposits* (ETF 5111, FALC 11 and ETF 5113, FALC 21);
- Holding gains and losses on *debt securities and related assets / liabilities* (ETF 5111, FALC 12 and ETF 5113, FALC 22);
- Holding gains and losses *on loans and placements* (ETF 5111, FALC 13 and ETF 5113, FALC 23);
- Holding gains and losses on *insurance, superannuation and standardised guarantee schemes* (ETF 5111, FALC 14 and ETF 5113, FALC 24); and
- Holding gains and losses on *other financial assets and liabilities* (ETF 5111, FALC 15 and ETF 5113, FALC 25).

Holding gains and losses on currency and deposits (*for financial assets:* ETF 5111, FALC 11 and *for liabilities:* ETF 5113, FALC 21)

11.34 *Holding gains and losses on currency and deposits* (*for financial assets:* ETF 5111, FALC 11 and *for liabilities:* ETF 5113, FALC 21) record the value of holding gains and losses on cash and deposit financial assets (ETF 5111, FALC 11) and liabilities (ETF 5113, FALC 21) held by public sector units. In GFS, all financial assets except for monetary gold in the form of gold bullion held as reserve assets have counterpart liabilities. In GFS, holding gains and losses on cash and deposits are further classified as:

- Holding gains and losses on cash and deposits (*for financial assets:* ETF 5111, FALC 111 and *for liabilities:* ETF 5113, FALC 211);
- Holding gains and losses on Special Drawing Rights (SDRs) (*for financial assets:* ETF 5111, FALC 112 and *for liabilities:* ETF 5113, FALC 212);
- Holding gains and losses on monetary gold (bullion) (ETF 5111, FALC 113) (asset only); and
- Holding gains and losses on monetary gold (allocated and unallocated) (*for financial assets:* ETF 5111, FALC 114 and *for liabilities:* ETF 5113, FALC 211).
- Holding gains and losses on cash and deposits (*for financial assets:* ETF 511

Holding gains and losses on cash and deposits (*for financial assets:* ETF 5111, FALC 111 and *for liabilities:* ETF 5113, FALC 211)

11.35 *Holding gains and losses on cash and deposits* (*for financial assets:* ETF 5111, FALC 111 and *for liabilities:* ETF 5113, FALC 211) record the value of holding gains and losses on currency and deposit assets (ETF 5111, FALC 111) and liabilities (ETF 5113, FALC 211) held by public sector units. Currency and deposits held in a foreign currency are subject to holding gains and losses through movements in the exchange rate. Further information on cash and deposits can be found in paragraphs 8.58 to 8.62 of this manual.

Holding gains and losses on Special Drawing Rights (SDRs) (*for financial assets:* ETF 5111, FALC 112 and *for liabilities:* ETF 5113, FALC 212)

11.36 *Holding gains and losses on Special Drawing Rights (SDRs)* (*for financial assets:* ETF 5111, FALC 112 and *for liabilities:* ETF 5113, FALC 212) record the value of holding gains and losses on SDR assets (ETF 5111, FALC 112) and liabilities (ETF 5113, FALC 212) held by the Commonwealth Government of Australia. Paragraph 10.22 of the IMF GFSM 2014 indicates that the value of an SDR is based on a basket of key currencies; therefore, the value of SDRs is always subject to holding gains and losses. From time to time, new allocations of SDRs may be made, however when this occurs, the allocation is recorded as a transaction under *transactions in SDRs* (ETF 3111, FALC 112, SDC). Further information on SDRs can be found in paragraph 8.63 of this manual.

Holding gains and losses on monetary gold (bullion) (ETF 5111, FALC 113) (asset only)

11.37 *Holding gains and losses on monetary gold (bullion)* (ETF 5111, FALC 113) *(asset only)* records the value of holding gains and losses on gold in the form of gold bullion (ETF 5111, FALC 113) held as reserve assets by the Commonwealth Government of Australia. Monetary gold in the form of gold bullion is the only financial asset that has no counterpart liability in GFS. Paragraph 10.21 of the IMF GFSM 2014 notes that the price of gold is usually quoted in dollars, therefore monetary gold in the form of gold bullion is subject to holding gains and losses because of changes in the exchange rate as well as changes in the price of gold itself. Further information on monetary gold (bullion) can be found in paragraphs 8.64 to 8.65 of this manual.

Holding gains and losses on monetary gold (allocated and unallocated) (*for financial assets:* ETF 5111, FALC 114 and *for liabilities:* ETF 5113, FALC 211)

11.38 *Holding gains and losses on monetary gold (allocated and unallocated)* (*for financial assets:* ETF 5111, FALC 114 and *for liabilities:* ETF 5113, FALC 211) record the value of holding gains and losses on gold in the form of allocated and unallocated gold account assets (ETF 3111, FALC 113) and liabilities (ETF 5113, FALC 211) held as reserve assets by public sector units. Changes in the price of monetary gold in the form of allocated and unallocated gold accounts is subject to holding gains and losses through movements in the exchange rate as well as changes in the price of gold itself. Further information on monetary gold (allocated and unallocated) can be found in paragraph 8.66 of this manual.

Holding gains and losses on debt securities and related assets (*for financial assets:* ETF 5111, FALC 12 and *for liabilities:* ETF 5113, FALC 22)

11.39 *Holding gains and losses on debt securities and related assets* (*for financial assets:* ETF 5111, FALC 12 and *for liabilities:* (ETF 5113, FALC 22) record the value of holding gains and losses on debt securities and related financial assets (ETF 5111, FALC 12) and liabilities (ETF 5113, FALC 22) held by public sector units. In GFS, holding gains and losses on debt securities and related assets and liabilities are further classified as:

- Holding gains and losses on debt securities (*for financial assets:* ETF 5111, FALC 121 and *for liabilities:* ETF 5113, FALC 221);
- Holding gains and losses on financial derivatives (*for financial assets:* ETF 5111, FALC 122 and *for liabilities:* ETF 5113, FALC 222);
- Holding gains and losses on employee stock options (*for financial assets:* ETF 5111, FALC 123 and *for liabilities:* ETF 5113, FALC 223);

- Holding gains and losses on equity including contributed capital (*for financial assets:* ETF 5111, FALC 124 and *for liabilities:* ETF 5113, FALC 224); and
- Holding gains and losses on investment fund shares or units (*for financial assets:* ETF 5111, FALC 125 and *for liabilities:* ETF 5113, FALC 225).

Holding gains and losses on debt securities (*for financial assets:* ETF 5111, FALC 121 and *for liabilities:* ETF 5113, FALC 221)

11.40 *Holding gains and losses on debt securities* (*for financial assets:* ETF 5111, FALC 121 and *for liabilities:* ETF 5113, FALC 221) record the value of holding gains and losses on debt security assets (ETF 5111, FALC 121) and liabilities (ETF 5113, FALC 221) held by public sector units. Paragraph 10.24 of the IMF GFSM 2014 indicates that debt securities typically have market prices that change over time. Changes in the value of the stock of debt securities between balance sheet dates arise from transactions in debt securities (i.e. acquisitions, disposals, and the accrual of interest), other changes in the volume of assets (such as write-offs), and holding gains and losses (e.g. changes in the market rate of interest, exchange rate, expectation of creditworthiness, etc.). Paragraphs 10.25 to 10.29 of the IMF GFSM 2014 note the following information regarding holding gains or losses on debt security assets and liabilities:

- When debt securities (especially deep discount and zero-coupon bonds) are issued at a discount, then in the absence of other changes, the value will gradually rise over the life of the bond until it reaches the maturity value. This gradual increase in the market price of a bond is attributable to the accumulation of accrued interest and is not a holding gain. The converse treatment applies to bonds issued at a premium.
- The values of debt securities may change when the market rates of interest and / or exchange rates change. With the exception of broad based index-linked securities, changes in the values of debt securities that are attributable to changes in market rates of interest and exchange rates (for debt securities denominated in another currency) are considered to be holding gains or losses. An increase in interest rates causes a decrease in the market value of fixed rate debt securities, which is a holding gain for the debtor and a holding loss for the creditor, and conversely for a decrease in interest rates.
- The price of bonds may change because of a change in the creditworthiness of the issuer or guarantor. Such changes also give rise to holding gains or losses.
- When the amount to be paid at maturity or when the coupon payments and the amount to be paid at maturity are indexed to a narrow index (e.g. a gold index) that includes a holding gain motive, any deviation of the underlying index from the originally expected path leads to holding gains or losses.
- Holding gains or losses may accrue on bills in the same way as for bonds. However, because bills are short-term debt securities with much shorter times to maturity, the holding gains generated by interest rate changes are often much smaller than on bonds with the same values.

11.41 Further information on debt securities can be found in paragraphs 8.68 to 8.69, and Chapter 13 Part B of this manual.

Holding gains and losses on financial derivatives (*for financial assets:* ETF 5111, FALC 122 and *for liabilities:* ETF 5113, FALC 222)

11.42 *Holding gains and losses on financial derivatives* (*for financial assets:* ETF 5111, FALC 122 and *for liabilities:* ETF 5113, FALC 222) record the value of holding gains and losses on financial derivative assets (ETF 5111, FALC 122) and liabilities (ETF 5113, FALC 222) held by public sector units. In Australian GFS, financial derivatives are recorded at their current market value when they are created, traded, or extinguished. Changes in the observable market price of the financial derivative leads to holding gains or losses. Further information on financial derivatives can be found in paragraphs 8.70 to 8.72, and Chapter 13 Part B of this manual.

Holding gains and losses on employee stock options (*for financial assets:* ETF 5111, FALC 123 and *for liabilities:* ETF 5113, FALC 223)

11.43 *Holding gains and losses on employee stock options* (*for financial assets:* ETF 5111, FALC 123 and *for liabilities:* ETF 5113, FALC 223) record the value of holding gains and losses on employee stock option assets (ETF 5111, FALC 123) and liabilities (ETF 5113, FALC 223) held by public sector units. Paragraph

10.43 of the IMF GFSM 2014 states that any change in value between the grant date and vesting date of the employee stock option should be recorded as compensation of employees, while any change in the value between vesting date and exercise date is treated as a holding gain or loss. In practice, and for pragmatic reasons, the whole of the increase between grant date and exercise date is treated as a holding gain or loss. An increase in value of the share price above the strike price is a holding loss for the employer. Further information on employee stock options can be found in paragraphs 8.73 to 8.76 of this manual.

Holding gains and losses on equity including contributed capital (*for financial assets:* ETF 5111, FALC 124 and *for liabilities:* ETF 5113, FALC 224)

11.44 *Holding gains and losses on equity including contributed capital* (*for financial assets:* ETF 5111, FALC 124 and *for liabilities:* ETF 5113, FALC 224) record the value of holding gains and losses on equity including contributed capital in the form of financial assets (ETF 5111, FALC 124) and liabilities (ETF 5113, FALC 224) held by public sector units. Public sector units hold financial assets (or liabilities) representing equity including contributed capital in PNFCs, PFCs and possibly in private sector entities. For listed entities, the current market value of equity is the number of shares held by the public sector unit multiplied by the market price of each share. Increases and decreases in the current market value results in holding gains or losses on equity held in listed entities. Since there is no current market value for the equity of unlisted entities, this value is set to be equal to the assets less liabilities of the entities in question, since in the event of being folded up, this 'residual' is what the owner unit has a claim over. Changes in the value of this residual amount results in holding gains and losses on equity held in unlisted entities. Further information on equity including contributed capital can be found in paragraphs 8.77 to 8.78 of this manual.

Holding gains and losses on investment fund shares or units (*for financial assets:* ETF 5111, FALC 125 and *for liabilities:* ETF 5113, FALC 225)

11.45 *Holding gains and losses on investment fund shares or units* (*for financial assets:* ETF 5111, FALC 125 and *for liabilities:* ETF 5113, FALC 225) record the value of holding gains and losses on investment fund shares or units in the form of assets (ETF 5111, FALC 125) and liabilities (ETF 5113, FALC 225) held by public sector units. Investment fund shares or units consist of collective investment undertakings through which investors pool funds for investment in financial or non-financial assets. These funds issue shares (if a corporate structure is used) or units (if a trust structure is used). Holding gains and losses on investment fund shares or units refer to increases or decreases in the value of shares or units issued by mutual funds and unit trusts. Further information on investment fund shares or units can be found in paragraphs 8.79 to 8.80, and Chapter 13 Part B of this manual.

Holding gains and losses on loans and placements (*for financial assets:* ETF 5111, FALC 13 and *for liabilities:* ETF 5113, FALC 23)

11.46 *Holding gains and losses on loans and placements* (*for financial assets:* ETF 5111, FALC 13) and (*for liabilities:* ETF 5113, FALC 23) record the value of holding gains and losses on loan and placement assets (ETF 5111, FALC 13) and liabilities (ETF 5113, FALC 23) that are held by public sector units. In GFS, holding gains and losses on loans and placements are further classified as:

- Holding gains and losses on finance leases (*for financial assets:* ETF 5111, FALC 131 and *for liabilities:* ETF 5113, FALC 231);
- Holding gains and losses on advances - concessional loans (*for financial assets:* ETF 5111, FALC 132 and *for liabilities:* ETF 5113, FALC 232);
- Holding gains and losses on advances other than concessional loans (*for financial assets:* ETF 5111, FALC 133 and *for liabilities:* ETF 5113, FALC 233); and
- Holding gains and losses on loans and placements not elsewhere classified (*for financial assets:* ETF 5111, FALC 139 and *for liabilities:* ETF 5113, FALC 239).

Holding gains and losses on finance leases (*for financial assets:* ETF 5111, FALC 131 and *for liabilities:* ETF 5113, FALC 231)

11.47 *Holding gains and losses on finance leases* (*for financial assets:* ETF 5111, FALC 131 and *for liabilities:* ETF 5113, FALC 231) record the value of holding gains and losses on finance lease assets (ETF 5111, FALC 131) and liabilities (ETF 5113, FALC 231) held by public sector units. Assets under a financial lease are treated as if they were purchased and owned by the user. Any holding gains or losses on the value of the asset under a finance lease accrues to the lessee. Further information on finance leases can be found in paragraph 8.82, and Chapter 13 Part H of this manual.

Holding gains and losses on advances - concessional loans (*for financial assets:* ETF 5111, FALC 132 and *for liabilities:* ETF 5113, FALC 232)

11.48 *Holding gains and losses on advances - concessional loans* (*for financial assets:* ETF 5111, FALC 132 and *for liabilities:* ETF 5113, FALC 232) record the value of holding gains and losses on advances in the form of concessional loan assets (ETF 5111, FALC 132) and liabilities (ETF 5113, FALC 232). In Australian GFS, debt instruments are valued at the current market value. Changes in the observable market value may result in holding gains or losses. Interest on concessional lending is treated as interest revenue or interest expenses and not as holding gains or losses. Further information on concessional loans can be found in paragraphs 8.83 to 8.84, and Chapter 13 Part B of this manual.

Holding gains and losses on advances other than concessional loans (*for financial assets:* ETF 5111, FALC 133 and *for liabilities:* ETF 5113, FALC 233)

11.49 *Holding gains and losses on advances other than concessional loans* (*for financial assets:* ETF 5111, FALC 133 and *for liabilities:* ETF 5113, FALC 233) record the value of holding gains and losses on advances other than concessional loan assets (ETF 5111, FALC 133) and liabilities (ETF 5113, FALC 233) held by public sector units. In Australian GFS, debt instruments are valued at the current market value. Changes in the observable market value may result in holding gains or losses. Interest on advances is treated as interest revenue or interest expenses and not as holding gains or losses. Further information on advances other than concessional loans can be found in paragraphs 8.85 to 8.87, and Chapter 13 Part B of this manual.

Holding gains and losses on loans and placements not elsewhere classified (*for financial assets:* ETF 5111, FALC 139 and *for liabilities:* ETF 5113, FALC 239)

11.50 *Holding gains and losses on loans and placements not elsewhere classified* (*for financial assets:* ETF 5111, FALC 139 and *for liabilities:* ETF 5113, FALC 239) record the value of holding gains and losses on loan and placement assets (ETF 5111, FALC 139) and liabilities (ETF 5113, FALC 239) held by public sector units that are not elsewhere classified. Loans held in a foreign currency are subject to holding gains and losses through movements in the exchange rate. Further information on other loans and placements can be found in paragraphs 8.88 to 8.90 of this manual.

Holding gains and losses on insurance, superannuation and standardised guarantee schemes (*for financial assets:* ETF 5111, FALC 14 and *for liabilities:* ETF 5113, FALC 24)

11.51 *Holding gains and losses on insurance, superannuation and standardised guarantee schemes* (*for financial assets:* ETF 5111, FALC 14 and *for liabilities:* ETF 5113, FALC 24) record the value of holding gains and losses on assets (ETF 5111, FALC 14) and liabilities (ETF 5113, FALC 24) held in connection to insurance, superannuation and standardised guarantee schemes operated by public sector units. As operators of such schemes, public sector units hold financial assets and liabilities for reserves, entitlements, and provisions connected with these. In GFS, holding gains and losses on insurance, superannuation and standardised guarantee schemes are further classified as:

- Holding gains and losses on non-life insurance technical reserves (*for financial assets:* ETF 5111, FALC 141 and *for liabilities:* ETF 5113, FALC 241);
- Holding gains and losses on life insurance and annuities entitlements (*for financial assets:* ETF 5111, FALC 142 and *for liabilities:* ETF 5113, FALC 242);

- Holding gains and losses on provisions for defined benefit superannuation (*for financial assets:* ETF 5111, FALC 143 and *for liabilities:* ETF 5113, FALC 243);
- Holding gains and losses on claims of superannuation funds on superannuation managers (*for financial assets:* ETF 5111, FALC 144 and *for liabilities:* ETF 5113, FALC 244); and
- Holding gains and losses on provisions for calls under standardised guarantee schemes (*for financial assets:* ETF 5111, FALC 145 and *for liabilities:* ETF 5113, FALC 245).

Holding gains and losses on non-life insurance technical reserves (*for financial assets:* ETF 5111, FALC 141 and *for liabilities:* ETF 5113, FALC 241)

11.52 *Holding gains and losses on non-life insurance technical reserves* (*for financial assets:* ETF 5111, FALC 141 and *for liabilities:* ETF 5113, FALC 241) record the value of holding gains and losses on technical reserve assets (ETF 5111, FALC 141) and liabilities (ETF 5113, FALC 241) for non-life insurance schemes operated by public sector units or where a public sector unit is a policy holder. Paragraph 10.35 of the IMF GFSM indicates that reserves for non-life insurance that are denominated in a foreign currency are subject to holding gains and losses through movements in the exchange rate. Further information on non-life insurance technical reserves can be found in paragraphs 8.92 to 8.93 of this manual.

Holding gains and losses on life insurance and annuities entitlements (*for financial assets:* ETF 5111, FALC 142 and *for liabilities:* ETF 5113, FALC 242)

11.53 *Holding gains and losses on life insurance and annuities entitlements* (*for financial assets:* ETF 5111, FALC 142 and *for liabilities:* ETF 5113, FALC 242) record the value of holding gains and losses on life insurance and annuities entitlement assets (ETF 5111, FALC 142) liabilities (ETF 5113, FALC 242) held by public sector units. Paragraph 10.35 of the IMF GFSM notes that if an amount for a claim outstanding has been agreed upon and it has been agreed that the claim will be indexed pending payment, then there may be a holding gain or loss recorded for it. Further information on life insurance and annuities entitlements can be found in paragraphs 8.94 to 8.95 of this manual.

Holding gains and losses on provisions for defined benefit superannuation (*for financial assets:* ETF 5111, FALC 143 and *for liabilities:* ETF 5113, FALC 243)

11.54 *Holding gains and losses on provisions for defined benefit superannuation* (*for financial assets:* ETF 5111, FALC 143 and *for liabilities:* ETF 5113, FALC 243) record the value of holding gains and losses on provisions for defined benefit superannuation in the form of assets (ETF 5111, FALC 143) and liabilities ETF 5113, FALC 243) for defined benefit superannuation schemes that are operated by public sector units. Note that in Australian GFS, only the net liability position for *holding gains and losses on provisions for defined benefit superannuation* (ETF 5113, FALC 243) is shown because no equivalent asset position exists. The asset position of *holding gains and losses on provisions for defined benefit superannuation* (ETF 5111, FALC 143) is only maintained for conceptual completeness in alignment with the international standards and will report a zero balance.

11.55 Paragraph 10.37 of the IMF GFSM 2014 states that a holding gain is recorded with respect to the liability for a defined benefit superannuation scheme when there is a change in the value of the liability because of a change in the interest rate used to discount the future benefits. The liability should be reviewed periodically and revalued as necessary for changes in market interest rates.

11.56 Paragraphs 10.38 and 10.39 of the IMF GFSM 2014 note that because the nature of a defined benefit superannuation scheme is for the level of benefit entitlements to be determined by a formula, there are other factors that may intervene to affect changes in the level of entitlements. These factors include price escalation clauses, changes in the formula used to determine benefits, and demographic assumptions about life span. The factors that change the level of entitlements (i.e., changes in the formula used to determine the benefits and demographic assumptions) should be recorded as other changes in the volume of assets or liabilities; and the adjustments from changes in the price escalation formula should be recorded as holding gains or losses.

11.57 Paragraph 10.40 of the IMF GFSM 2014 indicates that the impact of promotions, merit increases, and other real salary increases on defined benefit superannuation entitlements is a special case. Defined benefit superannuation schemes use a formula to set benefits based on the final average salary of employees. Therefore, this implies that any promotion or other real increase in salaries means that the total superannuation entitlements accrued to date are increased to take account of the new salary level. This is a significant benefit for the individual, and has consequences for the employer's superannuation liabilities. The impact of promotions are treated as a price change and are recorded as holding gains and losses. If the employer makes a structural change in the way promotions and merit increases are awarded and the change is a result of a unilateral decision of the employer without the mutual agreement of employees, then an adjustment in the form of other changes in the volume of assets or liabilities is needed to account for the change. Further information on provisions for defined benefit superannuation can be found in paragraphs 8.96 to 8.98 of this manual.

Holding gains and losses on claims of superannuation funds on superannuation managers (*for financial assets:* ETF 5111, FALC 144 and *for liabilities:* ETF 5113, FALC 244)

11.58 *Holding gains and losses on claims of superannuation funds on superannuation managers* (*for financial assets:* ETF 5111, FALC 144 and *for liabilities:* ETF 5113, FALC 244) record the value of holding gains and losses on assets (ETF 5111, FALC 144) and liabilities (ETF 5113, FALC 244) relating to claims of superannuation funds on superannuation managers. Assets held by a superannuation scheme where the superannuation scheme manager is different from the administrator of the scheme may attract holding gains or losses and need to be recorded in this category. Further information on claims of superannuation fund on superannuation managers can be found in paragraph 8.99 of this manual.

Holding gains and losses on provisions for calls under standardised guarantee schemes (*for financial assets:* ETF 5111, FALC 145 and *for liabilities:* ETF 5113, FALC 245)

11.59 *Holding gains and losses on provisions for calls under standardised guarantee schemes* (*for financial assets:* ETF 5111, FALC 145 and *for liabilities:* ETF 5113, FALC 245) record the value of holding gains and losses on assets (ETF 5111, FALC 145) and liabilities (ETF 5113, FALC 245) relating to provisions for calls under standardised guarantee schemes held by public sector units. Holding gains and losses are recorded when there is a change in the value of provisions for calls under standardised guarantee schemes due to a change in market interest rates. Further information on provisions for calls under standardised guarantee schemes can be found in paragraphs 8.100 to 8.101 of this manual.

Holding gains and losses on other financial assets / other liabilities (*for financial assets:* ETF 5111, FALC 15 and *for liabilities:* ETF 5113, FALC 25)

11.60 *Holding gains and losses on other financial assets / other liabilities* (*for financial assets:* ETF 5111, FALC 15 and *for liabilities:* ETF 5113, FALC 25) record the value of holding gains and losses on other financial assets (ETF 5111, FALC 15) and liabilities (ETF 5113, FALC 25) held by public sector units. In GFS, holding gains and losses on other financial assets / liabilities are further classified as:

- Holding gains and losses on provisions for employee entitlements other than superannuation (for financial assets: ETF 5111, FALC 151 and for liabilities: ETF 5113, FALC 251);
- Holding gains and losses on accounts receivable (ETF 5111, FALC 152) and accounts payable (ETF 5113, FALC 252); and
- Holding gains and losses on other financial assets not elsewhere classified (for financial assets: ETF 5111, FALC 159) and other liabilities not elsewhere classified (for liabilities: ETF 5113, FALC 259).

Holding gains and losses on provisions for employee entitlements other than superannuation (*for financial assets:* ETF 5111, FALC 151 and *for liabilities:* ETF 5113, FALC 251)

11.61 *Holding gains and losses on provisions for employee entitlements other than superannuation* (*for financial assets:* ETF 5111, FALC 151 and *for liabilities:* ETF 5113, FALC 251) record the value of holding gains and losses on provisions for employee entitlements other than superannuation in the form of assets (ETF 5111, FALC 151) and liabilities (ETF 5113, FALC 251) that are held by public sector units. Note that in Australian GFS, only the net liability position for *holding gains and losses on provisions for employee entitlements other than superannuation* (ETF 5113, FALC 251) is shown as no equivalent asset position exists. The asset position of *holding gains and losses on provisions for employee entitlements other than superannuation* (ETF 5111, FALC 151) is only maintained for conceptual completeness in alignment with the international standards and will report a zero balance.

11.62 In Australian GFS all financial assets and liabilities are recorded at the current market value. Movements in the current market value of provisions for employee entitlements other than superannuation may result in holding gains and losses. Further information on provisions for employee entitlements other than superannuation can be found in paragraphs 8.103 to 8.105 of this manual.

Holding gains and losses on *accounts receivable* (ETF 5111, FALC 152) and *accounts payable* (ETF 5113, FALC 252)

11.63 *Holding gains and losses on accounts receivable* (ETF 5111, FALC 152) and *accounts payable* (ETF 5113, FALC 252) record the value of holding gains and losses on accounts receivable (ETF 5111, FALC 152) and on accounts payable (ETF 5113, FALC 252) that are held by public sector units during the reporting period. In Australian GFS all financial assets and liabilities are recorded at the current market value. Movements in the observed market value of accounts receivable and accounts payable may result in holding gains and losses. Accounts receivable and accounts payable that are denominated in a foreign currency are subject to holding gains and losses through movements in the exchange rate. Further information on accounts receivable and accounts payable can be found in paragraphs 8.106 to 8.108 of this manual.

Holding gains and losses on other financial assets not elsewhere classified (ETF 5111, FALC 159) and other liabilities not elsewhere classified (ETF 5113, FALC 259)

11.64 *Holding gains and losses on other financial assets not elsewhere classified* (ETF 5111, FALC 159) and *other liabilities not elsewhere classified* (ETF 5113, FALC 259) record the value of holding gains and losses on other financial assets (ETF 5111, FALC 159) and liabilities (ETF 5113, FALC 259) held by public sector units. In GFS, all financial assets and liabilities are recorded at the current market value. Movements in the observed market value of other financial assets and liabilities may result in holding gains and losses. Other financial assets and liabilities that are denominated in a foreign currency are subject to holding gains and losses through movements in the exchange rate. Further information on other financial assets (and other liabilities) not elsewhere classified can be found in paragraph 8.109 of this manual.

THE CLASSIFICATION OF HOLDING GAINS AND LOSSES ON NON-FINANCIAL ASSETS

11.65 Holding gains and losses may occur on the value of both produced and non-produced non-financial assets. In GFS, holding gains and losses on non-financial assets are further classified as:

- Holding gains and losses on fixed assets (ETF 5112, NFAC 1);
- Holding gains and losses on other produced assets (ETF 5112, NFAC 2); and
- Holding gains and losses on non-produced assets (ETF 5112, NFAC 3).

Holding gains and losses on fixed assets (ETF 5112, NFAC 1)

11.66 *Holding gains and losses on fixed assets* (ETF 5112, NFAC 1) records the value of holding gains and losses on non-financial produced assets (net of depreciation) (ETF 5112, NFAC 1) held by public sector units. Paragraphs 10.13 and 10.14 of the IMF GFSM 2014 note that determining the existence of holding gains on fixed assets is complicated by the fact that the value of a fixed asset changes as a result of depreciation as well as market price changes. If market prices are not readily available, market value equivalent prices should be used in determining whether a holding gain exists. When assets of the same kind are still being produced and sold on the market, an existing asset should be valued in the opening or closing balance sheet at the current acquisition price of a newly produced asset minus the accumulated depreciation up to that time.

11.67 Paragraph 10.15 of the IMF GFSM 2014 indicates that when new assets of the same type are no longer being produced, the valuation of existing assets may pose difficult conceptual and practical problems for the determination of holding gains or losses. If broadly similar kinds of assets are still being produced, it may be reasonable to assume that the prices of the existing assets would have moved in the same way as those of new assets if they were still being produced. Such an assumption becomes questionable, however, when the characteristics of new assets are much improved by technical progress. Further information on fixed assets can be found in paragraphs 8.14 and 8.111 of this manual.

11.68 In GFS, holding gains and losses on fixed assets are further classified as:

- Holding gains and losses on buildings and structures (ETF 5112, NFAC 11);
- Holding gains and losses on machinery and equipment (ETF 5112, NFAC 12);
- Holding gains and losses on cultivated biological resources (ETF 5112, NFAC 13);
- Holding gains and losses on intellectual property products (ETF 5112, NFAC 14); and
- Holding gains and losses on weapons systems (ETF 5112, NFAC 15).

Holding gains and losses on buildings and structures (ETF 5112, NFAC 11)

11.69 *Holding gains and losses on buildings and structures* (ETF 5112, NFAC 11) records the value of holding gains and losses on buildings and structures (ETF 5112, NFAC 11) (net of depreciation) that are held by public sector units. In GFS, holding gains and losses on buildings and structures are further classified as:

- Holding gains and losses on dwellings (ETF 5112, NFAC 111);
- Holding gains and losses on buildings other than dwellings (ETF 5112, NFAC 112);
- Holding gains and losses on land improvements (ETF 5112, NFAC 113); and
- Holding gains and losses on structures not elsewhere classified (ETF 5112, NFAC 119).

Holding gains and losses on dwellings (ETF 5112, NFAC 111)

11.70 *Holding gains and losses on dwellings* (ETF 5112, NFAC 111) records the value of holding gains and losses on dwellings (ETF 5112, NFAC 111) owned by public sector units. Price changes in the current market value of dwellings are recorded as holding gains and losses in GFS. Further information on dwellings can be found in paragraphs 8.113 to 8.114 of this manual.

Holding gains and losses on buildings other than dwellings (ETF 5112, NFAC 112)

11.71 *Holding gains and losses on buildings other than dwellings* (ETF 5112, NFAC 112) records the value of holding gains and losses on buildings other than dwellings (ETF 5112, NFAC 112) owned by public sector units. Price changes in the current market value of buildings other than dwellings are recorded as holding gains and losses in GFS. Further information on buildings other than dwellings can be found in paragraphs 8.115 to 8.116 of this manual.

Holding gains and losses on land improvements (ETF 5112, NFAC 113)

11.72 *Holding gains and losses on land improvements* (ETF 5112, NFAC 113) records the value of holding gains and losses on improvements to land (ETF 5112, NFAC 113) by public sector units. Price changes in the current market value of land improvements are recorded as holding gains and losses in GFS. Further information on land improvements can be found in paragraphs 8.117 to 8.120 of this manual.

Holding gains and losses on structures not elsewhere classified (ETF 5112, NFAC 119)

11.73 *Holding gains and losses on structures not elsewhere classified* (ETF 5112, NFAC 119) records the value of holding gains and losses on other structures not elsewhere classified (ETF 5112, NFAC 119) owned by public sector units. Price changes in the current market value of other structures not elsewhere classified are recorded as holding gains and losses in GFS. Further information on other structures not elsewhere classified can be found in paragraphs 8.121 to 8.122 of this manual.

Holding gains and losses on machinery and equipment (ETF 5112, NFAC 12)

11.74 *Holding gains and losses on machinery and equipment* (ETF 5112, NFAC 12) records the value of holding gains and losses on machinery and equipment (ETF 5112, NFAC 12) (net of depreciation) owned by public sector units. In GFS, holding gains and losses on machinery and equipment are further classified as:

- Holding gains and losses on transport equipment (ETF 5112, NFAC 121);
- Holding gains and losses on information, computer, and telecommunication equipment (ETF 5112, NFAC 122); and
- Holding gains and losses on machinery and equipment not elsewhere classified (ETF 5112, NFAC 129).

Holding gains and losses on transport equipment (ETF 5112, NFAC 121)

11.75 *Holding gains and losses on transport equipment* (ETF 5112, NFAC 121) records the value of holding gains and losses on transport equipment (ETF 5112, NFAC 121) owned by public sector units. Price changes in the current market value of transport equipment are recorded as holding gains and losses in GFS. Further information on transport equipment can be found in paragraph 8.124 of this manual.

Holding gains and losses on information, computer, and telecommunication equipment (ETF 5112, NFAC 122)

11.76 *Holding gains and losses on information, computer, and telecommunication equipment* (ETF 5112, NFAC 122) records the value of holding gains and losses on information, computer, and telecommunication equipment (ETF 5112, NFAC 122) owned by public sector units. Price changes in the current market value of information, computer, and telecommunication equipment are recorded as holding gains and losses in GFS. Further information on information, computer, and telecommunication equipment can be found in paragraphs 8.125 to 8.126 of this manual.

Holding gains and losses machinery and equipment not elsewhere classified (ETF 5112, NFAC 129)

11.77 *Holding gains and losses machinery and equipment not elsewhere classified* (ETF 5112, NFAC 129) records the value of holding gains and losses on other machinery and equipment not elsewhere classified (ETF 5112, NFAC 129) owned by public sector units. Price changes in the current market value of other machinery and equipment not elsewhere classified are recorded as holding gains and losses in GFS. Further information on other machinery and equipment not elsewhere classified can be found in paragraphs 8.127 to 8.129 of this manual.

Holding gains and losses on cultivated biological resources (ETF 5112, NFAC 13)

11.78 *Holding gains and losses on cultivated biological resources* (ETF 5112, NFAC 13) records the value of holding gains and losses on cultivated biological resources (ETF 5112, NFAC 13) (net of depreciation) owned by public sector units. In GFS, holding gains and losses on cultivated biological resources are further classified as:

- Holding gains and losses on animal resources yielding repeat products (ETF 5112, NFAC 131); and
- Holding gains and losses on tree, crop, and plant resources yielding repeat products (ETF 5112, NFAC 132).

Holding gains and losses on animal resources yielding repeat products (ETF 5112, NFAC 131)

11.79 *Holding gains and losses on animal resources yielding repeat products* (ETF 5112, NFAC 131) records the value of holding gains and losses on animal resources yielding repeat products (ETF 5112, NFAC 131) owned by public sector units. Price changes in the current market value of animal resources yielding repeat products are recorded as holding gains and losses in GFS. Further information on animal resources yielding repeat products can be found in paragraphs 8.131 to 8.133 of this manual.

Holding gains and losses on tree, crop, and plant resources yielding repeat products (ETF 5112, NFAC 132)

11.80 *Holding gains and losses on tree, crop, and plant resources yielding repeat products* (ETF 5112, NFAC 132) records the value of holding gains and losses on tree, crop, and plant resources yielding repeat products (ETF 5112, NFAC 132) owned by public sector units. Price changes in the current market value of tree, crop, and plant resources yielding repeat products are recorded as holding gains and losses in GFS. Further information on tree, crop, and plant resources yielding repeat products can be found in paragraphs 8.134 to 8.137 of this manual.

Holding gains and losses on intellectual property products (ETF 5112, NFAC 14)

11.81 *Holding gains and losses on intellectual property products* (ETF 5112, NFAC 14) records the value of holding gains and losses on intellectual property products (ETF 5112, NFAC 14) (net of depreciation) owned by public sector units. In GFS, holding gains and losses on intellectual property products are further classified as:

- Holding gains and losses on research and development (ETF 5112, NFAC 141);
- Holding gains and losses on mineral exploration and evaluation (ETF 5112, NFAC 142);
- Holding gains and losses on computer software (ETF 5112, NFAC 143);
- Holding gains and losses on databases (ETF 5112, NFAC 144);
- Holding gains and losses on entertainment, literary, and artistic originals (ETF 5112, NFAC 145); and
- Holding gains and losses on intellectual property products not elsewhere classified (ETF 5112, NFAC 149).

Holding gains and losses on research and development (ETF 5112, NFAC 141)

11.82 *Holding gains and losses on research and development* (ETF 5112, NFAC 141) records the value of holding gains and losses on research and development (ETF 5112, NFAC 141) undertaken by public sector units. Price changes in the current market value of the benefits associated with research and development are recorded as holding gains and losses in GFS. Further information on research and development can be found in paragraphs 8.139 to 8.141 of this manual.

Holding gains and losses on mineral exploration and evaluation (ETF 5112, NFAC 142)

11.83 *Holding gains and losses on mineral exploration and evaluation* (ETF 5112, NFAC 142) records the value of holding gains and losses on mineral exploration and evaluation (ETF 5112, NFAC 142) undertaken by public sector units. Price changes in the current market value of the benefits associated with mineral exploration and evaluation are recorded as holding gains and losses in GFS. Further information on mineral exploration and evaluation can be found in paragraphs 8.142 to 8.143 of this manual.

Holding gains and losses on computer software (ETF 5112, NFAC 143)

11.84 *Holding gains and losses on computer software* (ETF 5112, NFAC 143) records the value of holding gains and losses on computer software (ETF 5112, NFAC 143) owned by public sector units. Price changes in the current market value of the computer software are recorded as holding gains and losses in GFS. Further information on computer software can be found in paragraphs 8.144 to 8.145 of this manual.

Holding gains and losses on databases (ETF 5112, NFAC 144)

11.85 *Holding gains and losses on databases* (ETF 5112, NFAC 144) records the value of holding gains and losses on databases (ETF 5112, NFAC 144) owned by public sector units. Price changes in the current market value of databases are recorded as holding gains and losses in GFS. Further information on databases can be found in paragraph 8.146 of this manual.

Holding gains and losses on entertainment, literary, and artistic originals (ETF 5112, NFAC 145)

11.86 *Holding gains and losses on entertainment, literary, and artistic originals* (ETF 5112, NFAC 145) records the value of holding gains and losses on entertainment, literary, and artistic originals (ETF 5112, NFAC 145) owned by public sector units. Price changes in the current market value of entertainment, literary, and artistic originals are recorded as holding gains and losses in GFS. Further information on entertainment, literary, and artistic originals can be found in paragraph 8.147 of this manual.

Holding gains and losses on intellectual property products not elsewhere classified (ETF 5112, NFAC 149)

11.87 *Holding gains and losses on intellectual property products not elsewhere classified* (ETF 5112, NFAC 149) records the value of holding gains and losses on other intellectual property products not elsewhere classified (ETF 5112, NFAC 149) owned by public sector units. Price changes in the current market value of other intellectual property products not elsewhere classified are recorded as holding gains and losses in GFS. Further information on intellectual property products not elsewhere classified can be found in paragraphs 8.148 to 8.149 of this manual.

Holding gains and losses on weapons systems (ETF 5112, NFAC 15 and NFAC 151)

11.88 *Holding gains and losses on weapons systems (also known as defence weapons platforms)* (ETF 5112, NFAC 151) records the value of holding gains and losses on weapons systems (ETF 5112, NFAC 151) (net of depreciation) owned by public sector units. Price changes in the current market value of weapons systems are recorded as holding gains and losses in GFS. Further information on weapons systems (also known as defence weapons platforms) can be found in paragraphs 8.150 to 8.151 of this manual.

Holding gains and losses on other produced assets (ETF 5112, NFAC 2)

11.89 *Holding gains and losses on other produced assets* (ETF 5112, NFAC 2) records the value of holding gains and losses on other non-financial produced assets (ETF 5112, NFAC 2) (net of depreciation) owned by public sector units. In GFS, holding gains and losses on other produced assets are further classified as:

- Holding gains and losses on inventories (ETF 5112, NFAC 21);
- Holding gains and losses on valuables (ETF 5112, NFAC 22); and
- Holding gains and losses on other produced assets (ETF 5112, NFAC 23).

Holding gains and losses on inventories (ETF 5112, NFAC 21)

11.90 *Holding gains and losses on inventories* (ETF 5112, NFAC 21) records the value of holding gains and losses on inventories (ETF 5112, NFAC 21) that are owned by public sector units. Paragraphs 10.16 and 10.17 of the IMF GFSM 2014 indicate that holding gains on inventories exclude both exceptional and recurrent losses on inventories, because withdrawals from inventories include an allowance for recurrent losses that are part of the normal operations of a production process. Certain types of inventories (e.g., stationery) have stable prices and are held over reasonably short periods of time, in which case the holding gains or losses are normally minimal. In other cases such as strategic stocks, other methods have to be applied. It may be necessary to try to deduce the value of changes in inventories from the value and quantities of the opening and closing inventories using methods that partition the difference between the values of the opening and closing stock positions of assets into transactions and holding gains. In general, if assumptions are made, they should cover as short a period as possible.

11.91 In GFS, holding gains and losses on inventories are further classified as:

- Holding gains and losses on inventories - materials and supplies (ETF 5112, NFAC 211);
- Holding gains and losses on inventories - work in progress (ETF 5112, NFAC 212);
- Holding gains and losses on inventories - finished goods (ETF 5112, NFAC 213);
- Holding gains and losses on inventories - goods for resale (ETF 5112, NFAC 214); and
- Holding gains and losses on military inventories (ETF 5112, NFAC 215).

Holding gains and losses on inventories - materials and supplies (ETF 5112, NFAC 211)

11.92 *Holding gains and losses on inventories - materials and supplies* (ETF 5112, NFAC 211) records the value of holding gains and losses on inventories of materials and supplies (ETF 5112, NFAC 211) owned by public sector units. Price changes in the current market value of inventories of materials and supplies are recorded as holding gains and losses in GFS. Further information on inventories - materials and supplies can be found in paragraphs 8.154 to 8.156 of this manual.

Holding gains and losses on inventories - work in progress (ETF 5112, NFAC 212)

11.93 *Holding gains and losses on inventories - work in progress* (ETF 5112, NFAC 212) records the value of holding gains and losses on inventories of work in progress (ETF 5112, NFAC 212) owned by public sector units. Price changes in the current market value of inventories of work in progress are recorded as holding gains and losses in GFS. Further information on inventories - work in progress can be found in paragraphs 8.157 to 8.160 of this manual.

Holding gains and losses on inventories - finished goods (ETF 5112, NFAC 213)

11.94 *Holding gains and losses on inventories - finished goods* (ETF 5112, NFAC 213) records the value of holding gains and losses on inventories of finished goods (ETF 5112, NFAC 213) owned by public sector units. Price changes in the current market value of inventories of finished goods are recorded as holding gains and losses in GFS. Further information on inventories - finished goods can be found in paragraph 8.161 of this manual.

Holding gains and losses on inventories - goods for resale (ETF 5112, NFAC 214)

11.95 *Holding gains and losses on inventories - goods for resale* (ETF 5112, NFAC 214) records the value of holding gains and losses on inventories of goods for resale (ETF 5112, NFAC 214) owned by public sector units. Price changes in the current market value of inventories of goods for resale are recorded as holding gains and losses in GFS. Further information on inventories - goods for resale can be found in paragraphs 8.162 to 8.165 of this manual.

Holding gains and losses on inventories - military inventories (ETF 5112, NFAC 215)

11.96 *Holding gains and losses on inventories - military inventories* (ETF 5112, NFAC 215) records the value of holding gains and losses on military inventories owned by public sector units. Price changes in the current market value of military inventories are recorded as holding gains and losses in GFS. Further information on inventories - military inventories can be found in paragraphs 8.166 to 8.168 of this manual.

Holding gains and losses on valuables (ETF 5112, NFAC 221)

11.97 *Holding gains and losses on valuables* (ETF 5112, NFAC 22 and NFAC 221) records the value of holding gains and losses on valuables (ETF 5112, NFAC 221) (net of depreciation) owned by public sector units. Price changes in the current market value of valuables are recorded as holding gains and losses in GFS. Further information on valuables can be found in paragraphs 8.169 to 8.171 of this manual.

Holding gains and losses on other produced assets (ETF 5112, NFAC 23 and NFAC 239)

11.98 *Holding gains and losses on other produced assets* (ETF 5112, NFAC 23 and NFAC 239) records the value of holding gains and losses on other produced assets not elsewhere classified. Other produced assets consist of assets other than fixed assets that cannot be classified to *inventories* (NFAC 21) or *valuables* (NFAC 22).

Holding gains and losses on non-produced assets (ETF 5112, NFAC 3)

11.99 *Holding gains and losses on non-produced assets* (ETF 5112, NFAC 3) records the value of holding gains and losses on non-financial non-produced assets (ETF 5112, NFAC 3) owned by public sector units. In GFS, non-financial non-produced assets are further classified as:

- Holding gains and losses on tangible non-produced assets (ETF 5112, NFAC 31);
- Holding gains and losses on intangible non-produced assets (ETF 5112, NFAC 32); and
- Holding gains and losses on other non-produced assets (ETF 5112, NFAC 33).

Holding gains and losses on tangible non-produced assets (ETF 5112, NFAC 31)

11.100 *Holding gains and losses on tangible non-produced assets* (ETF 5112, NFAC 31) records the value of holding gains and losses on non-financial non-produced assets owned by government. In GFS, holding gains and losses on non-financial non-produced assets are further classified as:

- Holding gains and losses on land (ETF 5112, NFAC 311);
- Holding gains and losses on mineral and energy resources (ETF 5112, NFAC 312);
- Holding gains and losses on non-cultivated biological resources (ETF 5112, NFAC 313);
- Holding gains and losses on water resources (ETF 5112, NFAC 314);
- Holding gains and losses on radio spectra (ETF 5112, NFAC 315); and
- Holding gains and losses on natural resources not elsewhere classified (ETF 5112, NFAC 316).

Holding gains and losses on land (ETF 5112, NFAC 311)

11.101 *Holding gains and losses on land* (ETF 5112, NFAC 311) records the value of holding gains and losses on land (ETF 5112, NFAC 311) owned by public sector units. Price changes in the current market value of land are recorded as holding gains and losses in GFS. Note that holding gains and losses on land exclude the value of holding gains and losses on improvements to land. These are instead recorded as *holding gains and losses on land improvements* (ETF 5112, NFAC 113). Further information on land can be found in paragraphs 8.175 to 8.178 of this manual.

Holding gains and losses on mineral and energy resources (ETF 5112, NFAC 312)

11.102 *Holding gains and losses on mineral and energy resources* (ETF 5112, NFAC 312) records the value of holding gains and losses on mineral and energy resources (ETF 5112, NFAC 312) owned by public sector units. Price changes in the current market value of mineral and energy resources are recorded as holding gains and losses in GFS. Further information on mineral and energy resources can be found in paragraphs 8.179 to 8.182 of this manual.

Holding gains and losses on non-cultivated biological resources (ETF 5112, NFAC 313)

11.103 *Holding gains and losses on non-cultivated biological resources* (ETF 5112, NFAC 313) records the value of holding gains and losses on non-cultivated biological resources (ETF 5112, NFAC 313) owned by public sector units. Price changes in the current market value of non-cultivated biological resources are recorded as holding gains and losses in GFS. Further information on non-cultivated biological resources can be found in paragraphs 8.183 to 8.185 of this manual.

Holding gains and losses on water resources (ETF 5112, NFAC 314)

11.104 *Holding gains and losses on water resources* (ETF 5112, NFAC 314) records the value of holding gains and losses on water resources (ETF 5112, NFAC 314) owned by public sector units. Price changes in the current market value of water resources are recorded as holding gains and losses in GFS. Further information on water resources can be found in paragraphs 8.186 to 8.187 of this manual.

Holding gains and losses on radio spectra (ETF 5112, NFAC 315)

11.105 *Holding gains and losses on radio spectra* (ETF 5112, NFAC 315) records the value of holding gains and losses on radio spectra (ETF 5112, NFAC 315) owned by public sector units. Price changes in the current market value of radio spectra are recorded as holding gains and losses in GFS. Further information on radio spectra can be found in paragraph 8.188 of this manual.

Holding gains and losses on tangible assets not elsewhere classified (ETF 5112, NFAC 319)

11.106 *Holding gains and losses on tangible assets not elsewhere classified* (ETF 5112, NFAC 319) records the value of holding gains and losses on other tangible assets owned by public sector units that are not elsewhere classified (ETF 5112, NFAC 319). Price changes in the current market value of tangible assets not elsewhere classified are recorded as holding gains and losses in GFS. Further information on tangible assets not elsewhere classified can be found in paragraph 8.189 of this manual.

Holding gains and losses on intangible non-produced assets (ETF 5112, NFAC 32)

11.107 *Holding gains and losses on intangible non-produced assets* (ETF 5112, NFAC 32) records the value of holding gains and losses on intangible non-produced assets (ETF 5112, NFAC 32) owned by public sector units. In GFS, holding gains and losses on intangible non-produced assets are further classified as:

- Holding gains and losses on marketable operating leases (ETF 5112, NFAC 321);
- Holding gains and losses on permits to use natural resources (ETF 5112, NFAC 322);
- Holding gains and losses on permits to undertake specific activities (ETF 5112, NFAC 323);
- Holding gains and losses on entitlements to future goods and services on an exclusive basis (ETF 5112, NFAC 324);
- Holding gains and losses on goodwill and marketing assets (ETF 5112, NFAC 325); and
- Holding gains and losses on intangible non-produced assets not elsewhere classified (ETF 5112, NFAC 329).

Holding gains and losses on marketable operating leases (ETF 5112, NFAC 321)

11.108 *Holding gains and losses on marketable operating leases* (ETF 5112, NFAC 321) records the value of holding gains and losses on marketable operating leases (ETF 5112, NFAC 321) owned by public sector units. Price changes in the current market value of marketable operating leases are recorded as holding gains and losses in GFS. Further information on marketable operating leases can be found in paragraph 8.191 of this manual.

Holding gains and losses on permits to use natural resources (ETF 5112, NFAC 322)

11.109 *Holding gains and losses on permits to use natural resources* (ETF 5112, NFAC 322) records the value of holding gains and losses on permits to use natural resources (ETF 5112, NFAC 322) owned by public sector units. Price changes in the current market value of permits to use natural resources are recorded as holding gains and losses in GFS. Further information on permits to use natural resources can be found in paragraph 8.192 and Chapter 13 Part H of this manual.

Holding gains and losses on permits to undertake specific activities (ETF 5112, NFAC 323)

11.110 *Holding gains and losses on permits to undertake specific activities* (ETF 5112, NFAC 323) records the value of holding gains and losses on permits to undertake specific activities (ETF 5112, NFAC 323) owned by public sector units. Price changes in the current market value of permits to undertake specific activities are recorded as holding gains and losses in GFS. Further information on permits to undertake specific activities can be found in paragraph 8.193 to 8.194 and Chapter 13 Part H of this manual.

Holding gains and losses on entitlements to future goods and services on an exclusive basis (ETF 5112, NFAC 324)

11.111 *Holding gains and losses on entitlements to future goods and services on an exclusive basis* (ETF 5112, NFAC 324) records the value of holding gains and losses on entitlements to future goods and services on an exclusive basis (ETF 5112, NFAC 324) owned by public sector units. Price changes in the current market value of entitlements to future goods and services on an exclusive basis are recorded as holding gains and losses in GFS. Further information on entitlements to future goods and services on an exclusive basis can be found in paragraph 8.195 of this manual.

Holding gains and losses on goodwill and marketing assets (ETF 5112, NFAC 325)

11.112 *Holding gains and losses on goodwill and marketing assets* (ETF 5112, NFAC 325) records the value of holding gains and losses on goodwill and marketing assets (ETF 5112, NFAC 325) owned by public sector units. Price changes in the current market value of goodwill and marketing assets are recorded as holding gains and losses in GFS. Further information on goodwill and marketing assets can be found in paragraphs 8.196 to 8.198 of this manual.

Holding gains and losses on intangible non-produced assets not elsewhere classified (ETF 5112, NFAC 329)

11.113 *Holding gains and losses on intangible non-produced assets not elsewhere classified* (ETF 5112, NFAC 329) records the value of holding gains and losses on other intangible non-produced assets owned by public sector units that are not elsewhere classified (ETF 5112, NFAC 329). Price changes in the current market value of intangible non-produced assets not elsewhere classified are recorded as holding gains and losses in GFS. Further information on intangible non-produced assets not elsewhere classified can be found in paragraphs 8.199 to 8.200 of this manual.

Holding gains and losses on other non-financial non-produced assets (ETF 5112, NFAC 33 and NFAC 339)

11.114 *Holding gains and losses on other non-financial non-produced assets* (ETF 5112, NFAC 33 and NFAC 339) records the value of holding gains and losses on other non-financial non-produced assets (ETF 5112, NFAC 33 and NFAC 339) owned by public sector units. Price changes in the current market value of other non-financial non-produced assets not elsewhere classified are recorded as holding gains and losses in GFS. Further information on other non-financial non-produced assets not elsewhere classified can be found in paragraph 8.201 of this manual.

Change in net worth due to holding gains and losses (ETF 5121)

11.115 *Change in net worth due to holding gains and losses* (ETF 5121) records the change in net worth due to holding gains and losses during the reporting period. This is an analytical aggregate in GFS. Paragraph 10.2 of the IMF GFSM 2014 defines the change in net worth due to holding gains and losses as the sum of all positive or negative holding gains and losses on assets and liabilities. Further information on the change in net worth can be found in Chapter 11 Part F of this manual.

PART H - THE CLASSIFICATION OF OTHER CHANGES IN VOLUME

11.116 The following paragraphs discus the classification of other changes in volume in the context of financial assets and liabilities, non-financial assets, and the change in net worth due to other changes in volume. The letters and numbers in brackets after each classification category signify GFS classification codes related to each category.

The classification of other changes in the volume of financial assets and liabilities (*for financial assets:* ETF 5211, FALC 1 and *for liabilities:* ETF 5213, FALC 2)

11.117 The classification of *other changes in the volume of financial assets and liabilities* (*for financial assets:* ETF 5211, FALC 1 and *for liabilities:* ETF 5213, FALC 2) record the value of other changes in the volume of financial assets (ETF 5211, FALC) and liabilities (ETF 5213, FALC 2) during the reporting period. In this chapter, other changes in the volume of financial assets and liabilities are discussed together to emphasise the counter party relationship between financial assets and liabilities. In GFS, all financial assets except for monetary gold in the form of gold bullion held as reserve assets have counterpart liabilities. In GFS, other changes in the volume of financial assets and liabilities are further classified as:

- Other changes in the volume of currency and deposits (ETF 5211, FALC 11 and ETF 5213, FALC 21);
- Other changes in the volume of debt securities and related assets (ETF 5211, FALC 12) and liabilities (ETF 5213, FALC 22);
- Other changes in the volume of loans and placements (ETF 5211, FALC 13 and ETF 5213, FALC 23);
- Other changes in the volume of insurance, superannuation and standardised guarantee schemes (ETF 5211, FALC 14 and ETF 5213, FALC 24); and
- Other changes in the volume of other financial assets and liabilities (ETF 5211, FALC 15 and ETF 5213, FALC 25).

Other changes in the volume of currency and deposits (*for financial assets:* ETF 5211, FALC 11 and *for liabilities:* ETF 5213, FALC 21)

11.118 *Other changes in the volume of currency and deposits* (*for financial assets:* ETF 5211, FALC 11 and *for liabilities:* ETF 5213, FALC 2) records the value of other changes in the volume of currency and deposits in the form of financial assets (ETF 5211, FALC 11) and liabilities (ETF 5213, FALC 21) held by public sector units. In GFS, other changes in the volume of currency and deposits are further classified as:

- Other changes in the volume of cash and deposits (*for financial assets:* ETF 5211, FALC 111 and *for liabilities:* ETF 5213, FALC 211);
- Other changes in the volume of Special Drawing Rights (SDRs) (*for financial assets:* ETF 5211, FALC 112 and *for liabilities:* ETF 5213, FALC 212);
- Other changes in the volume of monetary gold (bullion) (ETF 5211, FALC 113 asset only); and
- Other changes in the volume of monetary gold (allocated and unallocated) (*for financial assets:* ETF 5211, FALC 114 and *for liabilities:* ETF 5213, FALC 211).

Other changes in the volume of cash and deposits (*for financial assets:* ETF 5211, FALC 111 and *for liabilities:* ETF 5213, FALC 211)

11.119 *Other changes in the volume of cash and deposits* (*for financial assets:* ETF 5211, FALC 111 and *for liabilities:* ETF 5213, FALC 211) records the value of other changes in the volume of cash and deposit assets (ETF 5211, FALC 111) and liabilities (ETF 5213, FALC 211) held by public sector units. Appearances or disappearances of cash and deposits on (or from) the balance sheet may occur through events such as the uncompensated seizure of assets by government units; the reclassification of government units in or out of the public sector; or the merging or splitting of public sector units due to machinery of government or other changes.

11.120 Paragraph 10.78 of the IMF GFSM 2014 states that when two units are merged, all financial claims and liabilities that existed between them are eliminated. Also, when a unit splits into two or more units, new financial claims and liabilities may appear between the new units. This may lead to change in the volume of cash and deposits on the balance sheet, and must be recorded through an other change in volume entry in the accounts. Further, physical stocks of cash may suffer losses through damage in fires or floods, etc., and must be recorded as other changes in volume. Further information on cash and deposits can be found in paragraphs 8.58 to 8.62 of this manual.

Other changes in the volume of Special Drawing Rights (SDRs) (*for financial assets:* ETF 5111, FALC 112 and *for liabilities:* ETF 5113, FALC 212)

11.121 *Other changes in the volume of Special Drawing Rights (SDRs)* (*for financial assets:* ETF 5111, FALC 112 and *for liabilities:* ETF 5113, FALC 212) records the value of other changes in the volume of Special Drawing Rights (SDRs) assets (ETF 5211, FALC 111) and liabilities (ETF 5213, FALC 211) held by public sector units. Appearances or disappearances of SDRs on (or from) the balance sheet (through uncompensated seizures of SDRs by the IMF for example) are recorded as other changes in the volume of currency and deposits. Further information on SDRs can be found in paragraph 8.63 of this manual.

Other changes in the volume of monetary gold (bullion) (ETF 5211, FALC 113) (asset only)

11.122 *Other changes in the volume of monetary gold (bullion)* (ETF 5211, FALC 113) *(asset only)* records the value of other changes in the volume of gold in the form of bullion (ETF 5211, FALC 113) held as reserve assets by public sector units. Paragraph 10.84 of the IMF GFSM 2014 notes that at the time monetary gold in the form of gold bullion is acquired by a monetary authority, it is first classified as *inventories* (ETF 5212, an appropriate category within NFAC 21) or as *valuables* (ETF 5212, NFAC 221) if primarily held as a store of value. When gold held in the form of gold bullion becomes a reserve asset, it enters the financial assets in the balance sheet as a reclassification via other changes in the volume of assets to *monetary gold (bullion)* (ETF 5211, FALC 113). Further information on monetary gold (bullion) can be found in paragraphs 8.64 to 8.65 of this manual.

Other changes in the volume of monetary gold (allocated and unallocated)(*for financial assets:* ETF 5211, FALC 114 and *for liabilities:* ETF 5213, FALC 211).

11.123 *Other changes in the volume of monetary gold (allocated and unallocated)* (*for financial assets:* ETF 5211, FALC 114 and *for liabilities:* ETF 5213, FALC 211) records the other changes in the volume of gold in the form of allocated and unallocated gold accounts (ETF 3111, FALC 114) held as reserve assets by public sector units. Paragraph 10.84 of the IMF GFSM 2014 notes that at the time gold in the form of allocated accounts is acquired by a monetary authority, it is first classified as *inventories* (ETF 5212, an appropriate category within NFAC 21) or as *valuables* (ETF 5212, NFAC 221) if primarily held as a store of value. When gold held in the form of allocated accounts becomes a reserve asset, it enters the financial assets in the balance sheet as a reclassification via other changes in the volume of assets to *monetary gold (allocated and unallocated)* (*for financial assets:* ETF 5211, FALC 114 and *for liabilities:* ETF 5213, FALC 211). When gold in the form of unallocated accounts is acquired by a monetary authority, it is first classified as *currency and deposits* (ETF 5211, FALC 111). When unallocated gold accounts become reserve assets, they are reclassified to *monetary gold (allocated and unallocated)* (ETF 5211, FALC 114), also through an other changes in the volume of assets entry in the accounts. Further information on monetary gold (allocated and unallocated) can be found in paragraph 8.66 of this manual.

Other changes in the volume of debt securities and related assets (*for financial assets:* ETF 5211, FALC 12 and *for liabilities:* ETF 5213, FALC 22)

11.124 *Other changes in the volume of debt securities and related assets* (*for financial assets:* ETF 5211, FALC 12 and *for liabilities:* ETF 5213, FALC 22) records the value of other changes in the volume of debt securities and related financial assets (ETF 5211, FALC 12) and liabilities (ETF 5213, FALC 22) held by public sector units. In GFS, other changes in the volume of debt securities and related assets and liabilities are further classified as:

- Other changes in the volume of debt securities (*for financial assets:* ETF 5211, FALC 121 and *for liabilities:* ETF 5213, FALC 221);
- Other changes in the volume of financial derivatives (*for financial assets:* ETF 5211, FALC 122 and *for liabilities:* ETF 5213, FALC 222);
- Other changes in the volume of employee stock options (*for financial assets:* ETF 5211, FALC 123 and *for liabilities:* ETF 5213, FALC 223);
- Other changes in the volume of equity including contributed capital (*for financial assets:* ETF 5211, FALC 124 and *for liabilities:* ETF 5213, FALC 224); and
- Other changes in the volume of investment fund shares or units (*for financial assets:* ETF 5211, FALC 125 and *for liabilities:* ETF 5213, FALC 225).

Other changes in the volume of debt securities (*for financial assets:* ETF 5211, FALC 121 and *for liabilities:* ETF 5213, FALC 221)

11.125 *Other changes in the volume of debt securities* (*for financial assets:* ETF 5211, FALC 121 and *for liabilities:* ETF 5213, FALC 221) records the value of other changes in the volume of debt security assets (ETF 5211, FALC 121) and liabilities (ETF 5213, FALC 221) held by public sector units. Paragraph 10.84 of the IMF GFSM 2014 indicates that if arrears arise and the associated contract provides for a change in the characteristics of a financial instrument when it goes into arrears, this change should be recorded as a reclassification as *other changes in the volume of debt securities* (*for financial assets:* ETF 5211, FALC 121) and (*for liabilities:* ETF 5213, FALC 221).

11.126 A reclassification from *loans and placements* (*for financial assets:* ETF 5211, FALC 13 and *for liabilities:* ETF 5213, FALC 23) to *debt securities* (*for financial assets:* ETF 5211, FALC 121 and *for liabilities:* ETF 5213, FALC 221) through an other change in volume account entry also applies when loans become tradeable. Paragraph 7.149 of the IMF GFSM 2014 states that for such reclassification to take place, there needs to be evidence of secondary market trading, including the existence of market makers and frequent quotations of the instrument, such as provided by bid-offer spreads. An example is a syndicated loan, which is provided by a group of lenders and is structured, arranged, and administered by one or several commercial or investment banks. If parts of a syndicated loan become traded in secondary markets, the loan may meet the criteria to be reclassified as a debt security. Further information on debt securities can be found in paragraphs 8.68 to 8.69, and Chapter 13 Part B of this manual.

Other changes in the volume of financial derivatives (*for financial assets:* ETF 5211, FALC 122 and *for liabilities:* ETF 5213, FALC 222)

11.127 *Other changes in the volume of financial derivatives* (*for financial assets:* ETF 5211, FALC 122 and *for liabilities:* ETF 5213, FALC 222) records the value of other changes in the volume of financial derivative assets (ETF 5211, FALC 122) and liabilities (ETF 5213, FALC 222) held by public sector units. Paragraph 10.84 of the IMF GFSM 2014 notes that if the amount payable under a financial derivative remains due for payment after it matures, the amount due no longer represents a financial derivative because the value is fixed. It is therefore reclassified as an *accounts receivable* (ETF 5221, FALC 152) or as an *accounts payable* (ETF 5213, FALC 252). In GFS, the creation and exhaustion of financial derivatives are treated as transactions in financial assets (ETF 3111, FALC 122, SDC) and liabilities (ETF 3211, FALC 222, SDC) and not as other changes in the volume of assets. Further information on financial derivatives can be found in paragraphs 8.70 to 8.72, and Chapter 13 Part B of this manual.

Other changes in the volume of employee stock options (*for financial assets:* ETF 5211, FALC 123 and *for liabilities:* ETF 5213, FALC 223)

11.128 *Other changes in the volume of employee stock options* (*for financial assets:* ETF 5211, FALC 123 and *for liabilities:* ETF 5213, FALC 223) records the value of other changes in the volume of employee stock option assets (ETF 5211, FALC 123) and liabilities (ETF 5213, FALC 223) held by public sector units. Appearances or disappearances of employee stock options on (or from) the balance sheet may occur through events such as the reclassification of government units in or out of the public sector, and are recorded through an other change in volume entry in the accounts. Further information on employee stock options can be found in paragraphs 8.73 to 8.76 of this manual.

Other changes in the volume of equity including contributed capital (*for financial assets:* ETF 5211, FALC 124 and *for liabilities:* ETF 5213, FALC 224)

11.129 *Other changes in the volume of equity including contributed capital* (*for financial assets:* ETF 5211, FALC 124 and *for liabilities:* ETF 5213, FALC 224) records the value of other changes in the volume of equity including contributed capital in the form of financial assets (ETF 5211, FALC 124) and liabilities (ETF 5213, FALC 224) held by public sector. Paragraph 10.84 of the IMF GFSM 2014 states that bonds which are convertible into equity are reclassified as *equity including contributed capital* (*for financial assets:* ETF 5211, FALC 124; and *for liabilities:* ETF 5213, FALC 224) through an other change in volume entry in the accounts when the option is exercised.

11.130 Paragraph 10.84 of the IMF GFSM 2014 further notes that in cases where government units acquire equity in a public corporation or quasi-corporation as a result of a legislative or an administrative change creating the corporation or quasi-corporation, this event will amount to a reclassification of the corporation's existing assets and liabilities that results in an addition of *equity including contributed capital* (ETF 5211, FALC 124) to the balance sheets of the acquiring government unit through an other change in volume entry in the accounts. Further information on equity including contributed capital can be found in paragraphs 8.77 to 8.78 of this manual.

Other changes in the volume of investment fund shares or units (for financial assets: ETF 5211, FALC 125 and for liabilities: ETF 5213, FALC 225)

11.131 *Other changes in the volume of investment fund shares or units* (*for financial assets:* ETF 5211, FALC 125 and *for liabilities:* ETF 5213, FALC 225) records the value of other changes in the volume of investment fund shares or units in the form of assets (ETF 5211, FALC 125) and liabilities (ETF 5213, FALC 225) held by public sector units. Appearances or disappearances of investment fund shares or units on (or from) the balance sheet may occur through events such as the reclassification of government units in or out of the public sector and the merging or splitting of public sector units through machinery of government or other change. These changes must be recorded through an other change in the volume entry in the accounts.

Further information on investment fund shares or units can be found in paragraphs 8.79 to 8.80, and Chapter 13 Part B of this manual.

Other changes in the volume of loans and placements (*for financial assets:* ETF 5211, FALC 13 and *for liabilities:* ETF 5213, FALC 23)

11.132 *Other changes in the volume of loans and placements* (*for financial assets:* ETF 5211, FALC 13 and *for liabilities:* ETF 5213, FALC 23) records the value of other changes in the volume of loan and placement assets (ETF 5211, FALC 13) and liabilities (ETF 5213, FALC 23) that are held by public sector units. In GFS, other changes in the volume of loans and placements are further classified as:

- Other changes in the volume of finance leases (*for financial assets:* ETF 5211, FALC 131 and *for liabilities:* ETF 5213, FALC 231);
- Other changes in the volume of advances - concessional loans (*for financial assets:* ETF 5211, FALC 132 and *for liabilities:* ETF 5213, FALC 232);
- Other changes in the volume of advances other than concessional loans (*for financial assets:* ETF 5211, FALC 133 and *for liabilities:* ETF 5213, FALC 233); and
- Other changes in the volume of loans and placements not elsewhere classified (*for financial assets:* ETF 5211, FALC 139 and *for liabilities:* ETF 5213, FALC 239).

Other changes in the volume of finance leases (*for financial assets:* ETF 5211, FALC 131 and *for liabilities:* ETF 5213, FALC 231)

11.133 *Other changes in the volume of finance leases* (*for financial assets:* ETF 5211, FALC 131 and *for liabilities:* ETF 5213, FALC 231) records the value of other changes in the volume of finance lease assets (ETF 5211, FALC 131) and liabilities (ETF 5213, FALC 231) held by public sector units. The volume of finance lease assets and liabilities may change in the balance sheet depending on the terms of the financial lease arrangement. In GFS, this change is recorded as *other changes in the volume of finance leases* (*for financial assets:* ETF 5211, FALC 131) and (*for liabilities:* ETF 5213, FALC 231). Further information on finance leases can be found in paragraph 8.82, and Chapter 13 Part H of this manual.

Other changes in the volume of advances - concessional loans (*for financial assets:* ETF 5211, FALC 132 and *for liabilities:* ETF 5213, FALC 232)

11.134 *Other changes in the volume of advances - concessional loans* (*for financial assets:* ETF 5211, FALC 132 and *for liabilities:* ETF 5213, FALC 232) records the value of other changes in the volume of advances in the form of concessional loan assets (ETF 5211, FALC 132) and liabilities (ETF 5213, FALC 232). Paragraph 10.57 of the IMF GFSM 2014 states that loans may appear on, or disappear from, the balance sheet for a variety of reasons. For example, concessional loans may disappear from the balance sheet because a creditor may determine that a financial claim can no longer be collected due to the debtor's bankruptcy or other factors. In this case, the creditor writes off the debt and removes the claim from its balance sheet by means of an entry in other changes in the volume of assets in the accounts. In this case, the write off of advances in the form of concessional loans will be recorded as *other changes in the volume of advances - concessional loans* (*for financial assets:* ETF 5211, FALC 132) and (*for liabilities:* ETF 5213, FALC 232). Further information on advances on concessional loans can be found in paragraphs 8.83 to 8.84, and Chapter 13 Part B of this manual.

Other changes in the volume of advances other than concessional loans (*for financial assets:* ETF 5111, FALC 133 and *for liabilities:* ETF 5113, FALC 233)

11.135 *Other changes in the volume of advances other than concessional loans* (*for financial assets:* ETF 5111, FALC 133 and *for liabilities:* ETF 5113, FALC 233) records the value of other changes in the volume of advances other than concessional loan in the form of assets (ETF 5211, FALC 133) and liabilities (ETF 5213, FALC 233). Paragraph 10.57 of the IMF GFSM 2014 states that loans may appear on, or disappear from, the balance sheet for a variety of reasons. If a creditor determines that a financial claim can no longer be collected because of the debtor's bankruptcy or other factors, then the creditor writes off the debt from their balance sheet by means of an entry in other changes in the volume of assets. In this case, the write off of advances (other than concessional loans) will be recorded as *other changes in the volume of advances other than concessional loans* (*for financial assets:* ETF 5211, FALC 133 and *for liabilities:* ETF 5213, FALC 233).

11.136 Paragraph 10.57 of the IMF GFSM 2014 further notes that debt is usually written off as uncollectible because of the bankruptcy or liquidation of the debtor; however, it may sometimes be written off for other reasons, such as a court order. The write-off may be full or partial; partial write-offs may arise, (for example) under a court order, or if the liquidation of the debtor's assets allows some of the debt to be settled with the balance after settlement being the value written off. Recognition that the debt is uncollectible should be distinguished from internal accounting provisions of the creditor for the possibility of default. Although such provisions may be useful for analysis, they do not mean that the debt should no longer be recognised as existing, and should therefore not be considered as written off. In contrast, a reduction in a financial claim by mutual agreement between the creditor and debtor is a transaction rather than an other change in the volume of assets. Further information on advances other than concessional loans can be found in paragraphs 8.85 to 8.87, and Chapter 13 Part B of this manual.

Other changes in the volume of loans and placements not elsewhere classified (*for financial assets:* ETF 5111, FALC 139 and *for liabilities:* ETF 5113, FALC 239)

11.137 *Other changes in the volume of loans and placements not elsewhere classified* (*for financial assets:* ETF 5111, FALC 139 and *for liabilities:* ETF 5113, FALC 239) records the value of other changes in the volume of other loans and placements in the form of assets (ETF 5211, FALC 139) and liabilities (ETF 5213, FALC 239) that are not elsewhere classified. Paragraph 10.57 of the IMF GFSM 2014 states that loans may appear on, or disappear from, the balance sheet for a variety of reasons. A creditor may determine that a financial claim can no longer be collected because of the debtor's bankruptcy or other factors. In this case the creditor writes off the debt and removes the claim from its balance sheet by means of an entry in other changes in the volume of assets in the accounts. In this case, the write off of loans and placements will be recorded as *other changes in the volume of loans and placements not elsewhere classified* (*for financial assets:* ETF 5111, FALC 139 and *for liabilities:* ETF 5113, FALC 239). Further information on loans and placements can be found in paragraphs 8.88 to 8.90 of this manual.

Other changes in the volume of insurance, superannuation and standardised guarantee schemes (*for financial assets:* ETF 5211, FALC 14 and *for liabilities:* ETF 5213, FALC 24)

11.138 Other changes in the volume of insurance, superannuation and standardised guarantee schemes (for financial assets: ETF 5211, FALC 14 and for liabilities: ETF 5213, FALC 24) records the value of other changes in the volume of assets (ETF 5211, FALC 14) and liabilities (ETF 5213, FALC 24) held in connection to insurance, superannuation and standardised guarantee schemes operated or participated in by public sector units or where a public sector unit is a policy holder. In GFS, other changes in the volume of insurance, superannuation and standardised guarantee schemes are further classified as:

- Other changes in the volume of non-life insurance technical reserves (*for financial assets:* ETF 5211, FALC 141 and *for liabilities:* ETF 5213, FALC 241);
- Other changes in the volume of life insurance and annuities entitlements (*for financial assets:* ETF 5211, FALC 142 and *for liabilities:* ETF 5213, FALC 242);
- Other changes in the volume of provisions for defined benefit superannuation (*for financial assets:* ETF 5211, FALC 143 and *for liabilities:* ETF 5213, FALC 243);
- Other changes in the volume of claims of superannuation funds on superannuation managers (*for financial assets:* ETF 5211, FALC 144 and *for liabilities:* ETF 5213, FALC 244); and
- Other changes in the volume of provisions for calls under standardised guarantee schemes (*for financial assets:* ETF 5211, FALC 145 and *for liabilities:* ETF 5213, FALC 245).

Other changes in the volume of non-life insurance technical reserves (*for financial assets:* ETF 5211, FALC 141 and *for liabilities:* ETF 5213, FALC 241)

11.139 *Other changes in the volume of non-life insurance technical reserves* (*for financial assets:* ETF 5211, FALC 141 and *for liabilities:* ETF 5213, FALC 241) records the value of other changes in the volume of technical reserve assets (ETF 5211, FALC 141) and liabilities (ETF 5213, FALC 241) for non-life insurance schemes operated by public sector units. Increases or decreases in the volume of non-life insurance technical reserves may take place to meet the requirements of the non-life insurance scheme if there are increases in the volume of eligible non-life insurance policyholders, or reductions in the number of eligible non-life insurance holders due to the closure of new applications to the associated non-life insurance scheme. Further information on non-life insurance technical reserves can be found in paragraphs 8.92 to 8.93 of this manual.

Other changes in the volume of life insurance and annuities entitlements (*for financial assets:* ETF 5211, FALC 142 and *for liabilities:* ETF 5213, FALC 242)

11.140 *Other changes in the volume of life insurance and annuities entitlements* (*for financial assets:* ETF 5211, FALC 142 and *for liabilities:* ETF 5213, FALC 242) records the value of other changes in the volume of life insurance and annuities entitlement assets (ETF 5211, FALC 142) liabilities (ETF 5213, FALC 242) held by public sector units. Paragraph 10.71 of the IMF GFSM notes that for an annuity, the relationship between the expected net premiums and benefits is usually determined when the contract is entered into, taking account of mortality data available at that time. Any subsequent changes will affect the liability of the annuity provider toward the beneficiary, and the consequences should be recorded as other changes in the volume of liabilities. Further information on life insurance and annuities entitlements can be found in paragraphs 8.94 to 8.95 of this manual.

Other changes in the volume of provisions for defined benefit superannuation (*for financial assets:* ETF 5211, FALC 143 and *for liabilities:* ETF 5213, FALC 243)

11.141 *Other changes in the volume of provisions for defined benefit superannuation* (*for financial assets:* ETF 5211, FALC 143 and *for liabilities:* ETF 5213, FALC 243) records the value of other changes in the volume of provisions for defined benefit superannuation in the form of assets (ETF 5211, FALC 143) and liabilities ETF 5213, FALC 243) for defined benefit superannuation schemes operated by public sector units. Note that in Australian GFS, only the net liability position for *changes in the volume of provisions for defined benefit superannuation* (ETF 5213, FALC 243) is shown as no asset position exists. The asset position of *changes in the volume of provisions for defined benefit superannuation* (ETF 5211, FALC 143) is only maintained to align with the international standards and will report a zero balance.

11.142 Paragraph 10.72 of the IMF GFSM 2014 indicates that for defined benefit superannuation schemes, the level of benefits promised to participating employees is determined by a formula that is based on the participants' length of service and salary. Changes in superannuation entitlements that are imposed without negotiation are recorded as other changes in the volume of assets. That is because such changes are assumed to be imposed unilaterally by the employer and do not constitute a capital transfer negotiated by mutual agreement.

11.143 Paragraph 10.73 of the IMF GFSM 2014 notes for a defined benefit superannuation scheme, any changes in the value of the liability due to changes in the formula used to determine benefits, and due to changes in demographic assumptions about the life span, should be recorded through *other changes in the volume of provisions for defined benefit superannuation* (*for liabilities:* ETF 5213, FALC 243). If the projected benefit obligation method is used to value superannuation entitlements, an adjustment through *other changes in the volume of provisions for defined benefit superannuation* (*for liabilities:* ETF 5213, FALC 243) is needed if the employer makes a unilateral decision without the agreement of the participating employees for structural change in the way promotion and merit increases are awarded. Further information on provisions for defined benefit superannuation can be found in paragraphs 8.96 to 8.98 of this manual.

Other changes in the volume of claims of superannuation funds on superannuation managers (*for financial assets:* ETF 5211, FALC 144 and *for liabilities:* ETF 5213, FALC 244)

11.144 *Other changes in the volume of claims of superannuation funds on superannuation managers* (*for financial assets:* ETF 5211, FALC 144 and *for liabilities:* ETF 5213, FALC 244) records the value of other changes in the volume of assets (ETF 5211, FALC 144) and liabilities (ETF 5213, FALC 244) relating to claims of superannuation funds on superannuation managers. Changes in the volume of claims of superannuation funds on superannuation fund managers are recorded through an *other changes in the volume of claims of superannuation funds on superannuation managers* (*for financial assets:* ETF 5211, FALC 144) and (*for liabilities:* ETF 5213, FALC 244) entry in the accounts. Further information on claims of superannuation fund on superannuation managers can be found in paragraph 8.99 of this manual.

Other changes in the volume of provisions for calls under standardised guarantee schemes (*for financial assets:* ETF 5211, FALC 145 and *for liabilities:* ETF 5213, FALC 245)

11.145 *Other changes in the volume of provisions for calls under standardised guarantee schemes* (*for financial assets:* ETF 5211, FALC 145 and *for liabilities:* ETF 5213, FALC 245) records the value of other changes in the volume of assets (ETF 5211, FALC 145) and liabilities (ETF 5213, FALC 245) relating to provisions for calls under standardised guarantees held by public sector units. Paragraph 10.75 of the IMF GFSM 2014 notes that changes to provisions for calls under standardised guarantee schemes not resulting from transactions and holding gains and losses are shown as other changes in volume of assets and liabilities. For example, such other changes in volume of assets and liabilities occur whenever a significant change to the expected level of calls is recognised beyond any asset recovery. Further information on provisions for calls under standardised guarantee schemes can be found in paragraphs 8.100 to 8.101 of his manual.

Other changes in the volume of other financial assets / other liabilities (*for financial assets:* ETF 5211, FALC 15 and *for liabilities:* ETF 5213, FALC 25)

11.146 *Other changes in the volume of other financial assets / other liabilities* (*for financial assets:* ETF 5211, FALC 15 and *for liabilities:* ETF 5213, FALC 25) records the value of other changes in the volume of other financial assets (ETF 5211, FALC 15) and liabilities (ETF 5213, FALC 25) held by public sector units. In GFS, other changes in the volume of other financial assets / liabilities are further classified as:

- Other changes in the volume of provisions for employee entitlements (*for financial assets:* ETF 5211, FALC 151 and *for liabilities:* ETF 5213, FALC 251);
- Other changes in the volume of accounts receivable / accounts payable (*for financial assets:* ETF 5211, FALC 152 and *for liabilities:* ETF 5213, FALC 252); and
- Other changes in the volume of other financial assets / other liabilities not elsewhere classified (*for financial assets:* ETF 5211, FALC 159 and *for liabilities:* ETF 5213, FALC 259).

Other changes in the volume of provisions for employee entitlements other than superannuation (*for financial assets:* ETF 5211, FALC 151 and *for liabilities:* ETF 5213, FALC 251)

11.147 Other changes in the volume of provisions for employee entitlements other than superannuation (for financial assets: ETF 5211, FALC 151 and for liabilities: ETF 5213, FALC 251) records the value of other changes in the volume of provisions for employee entitlements other than superannuation in the form of assets (ETF 5211, FALC 151) and liabilities (ETF 5213, FALC 251) that are held by public sector units. Note that in Australian GFS, only the net liability position for changes in the volume of provisions for employee entitlements other than superannuation (ETF 5213, FALC 251) is shown. The asset position of changes in the volume of provisions for employee entitlements other than superannuation (ETF 5211, FALC 151) is only maintained to align with the international standards and will report a zero balance.

11.148 Changes in the volume of provisions for employee entitlements other than superannuation may be necessary if there are changes in the volume of employees, and must be recorded through an *other changes in the volume of provisions for employee entitlements other than superannuation* (*for liabilities:* ETF 5213, FALC 251) entry in the accounts. Further information on provisions for employee entitlements other than superannuation can be found in paragraphs 8.103 to 8.105 of this manual.

Other changes in the volume of accounts receivable (*for financial assets:* ETF 5211, FALC 152) and accounts payable (*for liabilities:* ETF 5213, FALC 252)

11.149 *Other changes in the volume of accounts receivable* (ETF 5211, FALC 152) and *accounts payable* (ETF 5213, FALC 252) records the value of other changes in the volume of accounts receivable (ETF 5211, FALC 152) and on accounts payable (ETF 5213, FALC 252) that are held by public sector units. Paragraph 10.84 of the IMF GFSM 2014 notes that if the amount payable under a financial derivative remains due for payment after it matures, the amount due no longer represents a financial derivative because the value is fixed. It is therefore reclassified as an *accounts receivable* (ETF 5221, FALC 152) or as an *accounts payable* (ETF 5213, FALC 252). Further information on accounts receivable and accounts payable can be found in paragraphs 8.106 to 8.108 of this manual.

Other changes in the volume of other financial assets not elsewhere classified (*for financial assets:* ETF 5211, FALC 159) and other liabilities not elsewhere classified (*for liabilities:* ETF 5213, FALC 259)

11.150 *Other changes in the volume of other financial assets not elsewhere classified* (*for financial assets:* ETF 5211, FALC 159) and other liabilities not elsewhere classified (*for liabilities:* ETF 5213, FALC 259) records the value of other changes in the volume of other financial assets not elsewhere classified (ETF 5111, FALC 159) and other liabilities not elsewhere classified (ETF 5113, FALC 259) held by public sector units. Changes in the volume of other financial assets are recorded through an *other changes in the volume of other financial assets not elsewhere classified* (ETF 5211, FALC 159) entry in the accounts, and other liabilities are recorded through an *other liabilities not elsewhere classified* (ETF 5213, FALC 259) entry in the accounts. Further information on other financial assets (and other liabilities) not elsewhere classified can be found in paragraph 8.109 of this manual.

THE CLASSIFICATION OF OTHER CHANGES IN THE VOLUME OF NON-FINANCIAL ASSETS

11.151 Other changes in the volume of assets may occur on both produced and non-produced non-financial assets. In GFS, other changes in the volume of non-financial assets are further classified as:

- Other changes in the volume of fixed assets (ETF 5212, NFAC 1);
- Other changes in the volume of other produced assets (ETF 5212, NFAC 2); and
- Other changes in the volume of non-produced assets (ETF 5212, NFAC 3).

Other changes in the volume of fixed assets (ETF 5212, NFAC 1)

11.152 *Other changes in the volume of fixed assets* (ETF 5212, NFAC 1) records the value of other changes in the volume of fixed assets (net of depreciation) (ETF 5212, NFAC 1) held by public sector units. Other changes in the volume of fixed assets may arise through many different events. Paragraphs 10.64 to 10.69, and 10.83 of the IMF GFSM 2014 list some of these events as:

- The calculation of depreciation reflects an assumption about normal rates of physical deterioration, obsolescence, and accidental damage of non-financial produced assets. There is a risk that these assumptions may prove to be erroneous. In that case, an adjustment in the form of other changes in the volume of assets must be made to adjust for errors in assumptions on the rates of depreciation on non-financial produced assets.
- Physical deterioration of non-financial produced assets may include the effects of unforeseen environmental degradation. Entries must be made through other changes in the volume of assets for the decline in the value of the non-financial produced assets from (for example), the unforeseen effects of acidity in the air or acid rain on building surfaces or vehicle bodies.
- The introduction of improved technology can render an asset obsolete or accelerate the rate of obsolescence of non-financial produced assets. For example, improved models of the asset or of a new production process that no longer requires the asset, may lead to unforeseen obsolescence. In consequence, the amount included in depreciation for their expected obsolescence may have been underestimated, so an entry in other changes in the volume of non-financial produced assets should be recorded.

- The assumptions about normally expected damage to non-financial produced assets may fall short of the actual damage done. Adjustments must therefore be made through other changes in the volume of assets for the decline in the value of the non-financial produced assets due to these events. Damage to non-financial produced assets that is more significant than normal wear and tear (but not on a scale sufficiently large to be considered catastrophic), is recorded as other changes in the volume of non-financial produced assets.
- Costs of ownership transfer on non-produced assets other than land should be written off over the expected time that the asset will be in the possession of the purchaser through depreciation. To maintain the integration of stock positions and flows, the costs of ownership transfer of non-produced assets other than land and the depreciation relating to these costs are reclassified to the respective non-produced assets through an entry in other changes in the volume of assets. This reclassification is considered to take place at the time of recording the transactions in cost of ownership transfer and depreciation, respectively. If the asset is disposed of before the costs of ownership transfer are completely written off, the remainder should be recorded as an other change in the volume of assets.

11.153 In GFS, other changes in the volume of fixed assets are further classified as:

- Other changes in the volume of buildings and structures (ETF 5212, NFAC 11);
- Other changes in the volume of machinery and equipment (ETF 5212, NFAC 12);
- Other changes in the volume of cultivated biological resources (ETF 5212, NFAC 13);
- Other changes in the volume of intellectual property products (ETF 5212, NFAC 14); and
- Other changes in the volume of weapons systems (ETF 5212, NFAC 15).

Other changes in the volume of buildings and structures (ETF 5212, NFAC 11)

11.154 *Other changes in the volume of buildings and structures* (ETF 5212, NFAC 11) records the value of other changes in the volume of buildings and structures (ETF 5212, NFAC 11) that are held by public sector units. In GFS, other changes in the volume of buildings and structures are further classified as:

- Other changes in the volume of dwellings (ETF 5212, NFAC 111);
- Other changes in the volume of buildings other than dwellings (ETF 5212, NFAC 112);
- Other changes in the volume of land improvements (ETF 5212, NFAC 113); and
- Other changes in the volume of structures not elsewhere classified (ETF 5212, NFAC 119).

Other changes in the volume of dwellings (ETF 5212, NFAC 111)

11.155 *Other changes in the volume of dwellings* (ETF 5212, NFAC 111) records the value of other changes in the volume of dwellings (ETF 5212, NFAC 111) owned by public sector units. Other changes in the volume of dwellings may arise through a number of different events including partial or complete destruction due to fire, flood, cyclone, or other such catastrophic damage; a change in the nature or function of the dwelling that requires it to be reclassified (for example) as a commercial building or as a private dwelling; or damage by tenants that is excessive to normal wear and tear. A new investment in dwellings is not an other change in the volume of assets, but a transaction under *acquisitions of new non-financial assets* (ETF 4114, NFAC 111, COFOG-A, SDC), or as *capital formation* (ETF 4113, NFAC 111, COFOG-A, SDC) with a further breakdown using an appropriate category in the supporting information under *capital formation* (ETF 76, NFAC 111, COFOG-A). Further information on dwellings can be found in paragraphs 8.113 to 8.114 of this manual.

Other changes in the volume of buildings other than dwellings (ETF 5212, NFAC 112)

11.156 *Other changes in the volume of buildings other than dwellings* (ETF 5212, NFAC 112) records the value of other changes in the volume of buildings other than dwellings (ETF 5212, NFAC 112) owned by public sector units. Other changes in the volume of buildings other than dwellings may arise through a number of different events including partial or complete destruction due to fire, flood, cyclone, or other such catastrophic damage; a change in the nature or function of the building that requires it to be reclassified out of this category or sector; or other damage that is excessive to normal wear and tear. A new investment in buildings other than dwellings is not an other change in the volume of assets, but a transaction under *acquisitions of non-financial assets* (ETF 4114, NFAC 112, COFOG-A, SDC), or as *own-account capital formation* (ETF 4113, NFAC 112, COFOG-A, SDC) with a further breakdown using an appropriate category in the supporting information under *own-account capital formation* (ETF 76, NFAC 112, COFOG-A).

11.157 Paragraph 10.50 of the IMF GFSM 2014 states that when a special archaeological, historical, or cultural significance of a structure or site not already recorded in the balance sheet is first recognised, it is classified as other changes in the volume of assets. For example, such recognition might be accorded to an existing structure or site that is fully written off and thus no longer recorded in the balance sheet. Alternatively, a structure or site that is already within the asset boundary, but is new or only partially written off, may be assessed as having the status of a public monument. If the monument was previously written off, then its recognition as a public monument is classified as other changes in the volume of assets. If it was previously classified as another type of asset, it is recorded as a reclassification of an asset. If at the same time a new valuation is placed on the monument, this increase in value is recorded as other changes in the volume of assets. Further information on buildings other than dwellings can be found in paragraphs 8.115 to 8.116 of this manual.

Other changes in the volume of land improvements (ETF 5212, NFAC 113)

11.158 *Other changes in the volume of land improvements* (ETF 5212, NFAC 113) records the value of other changes in the *volume of improvements to land* (ETF 5212, NFAC 113) by public sector units. Other changes in the volume of land improvements may arise through a number of different events including partial or complete destruction due to fire, flood, cyclone, or other such catastrophic damage; or other damage that is excessive to normal wear and tear. Additions of new land improvements are not other changes in the volume of assets, but are transactions under *acquisitions of non-financial assets* (ETF 4114, NFAC 113, COFOG-A, SDC), or as *own-account capital formation* (ETF 4113, NFAC 113, COFOG-A, SDC) with a further breakdown using an appropriate category in the supporting information under *own-account capital formation* (ETF 76, NFAC 113, COFOG-A). Further information on land improvements can be found in paragraphs 8.117 to 8.120 of this manual.

Other changes in the volume of structures not elsewhere classified (ETF 5212, NFAC 119)

11.159 *Other changes in the volume of structures not elsewhere classified* (ETF 5212, NFAC 119) records the value of other changes in the volume of structures not elsewhere classified (ETF 5112, NFAC 119) owned by public sector units. Other changes in the volume of structures not elsewhere classified may arise through a number of different events including partial or complete destruction of the structure due to fire, flood, cyclone, or other such catastrophic damage; or other damage that is excessive to normal wear and tear. A new investment in other structures not elsewhere classified is not an other change in the volume of assets, but a transaction under *acquisitions of non-financial assets* (ETF 4114, NFAC 119, COFOG-A, SDC), or as *own-account capital formation* (ETF 4113, NFAC 119, COFOG-A, SDC) with a further breakdown using an appropriate category in the supporting information under *own-account capital formation* (ETF 76, NFAC 119, COFOG-A). Further information on structures not elsewhere classified can be found in paragraphs 8.121 to 8.122 of this manual.

Other changes in the volume of machinery and equipment (ETF 5212, NFAC 12)

11.160 *Other changes in the volume of machinery and equipment* (ETF 5212, NFAC 12) records the value of other changes in the volume of machinery and equipment (ETF 5112, NFAC 12) (net of depreciation) owned by public sector units. In GFS, other changes in the volume of machinery and equipment are further classified as:

- Other changes in the volume of transport equipment (ETF 5212, NFAC 121);
- Other changes in the volume of information, computer, and telecommunication equipment (ETF 5212, NFAC 122); and
- Other changes in the volume of machinery and equipment not elsewhere classified (ETF 5212, NFAC 129).

Other changes in the volume of transport equipment (ETF 5212, NFAC 121)

11.161 *Other changes in the volume of transport equipment* (ETF 5212, NFAC 121) records the value of other changes in the volume of transport equipment (ETF 5212, NFAC 121) owned by public sector units. Other changes in the volume of transport equipment may arise through a number of different events including partial or complete destruction of the physical equipment due to fire, flood, cyclone, or other such catastrophic damage; or other damage that is excessive to normal wear and tear. Also included are changes in the volume of transport equipment due to obsolescence as a result of changes in technology, or some change in the reason that the transport equipment is used (i.e., deliveries to a remote location ceases or are reduced). A new investment in transport equipment is not an other change in the volume of assets, but a transaction under *acquisitions of non-financial assets* (ETF 4114, NFAC 121, COFOG-A, SDC), or as *own-account capital formation* (ETF 4113, NFAC 121, COFOG-A, SDC) with a further breakdown using an appropriate category in the supporting information under *own-account capital formation* (ETF 76, NFAC 121, COFOG-A). Further information on transport equipment can be found in paragraph 8.124 of this manual.

Other changes in the volume of information, computer, and telecommunication equipment (ETF 5212, NFAC 122)

11.162 *Other changes in the volume of information, computer, and telecommunication equipment* (ETF 5212, NFAC 122) records the value of other changes in the volume of information, computer, and telecommunication equipment (ETF 5212, NFAC 122) owned by public sector units. Other changes in the volume of information, computer, and telecommunication equipment may arise through a number of different events including partial or complete destruction of the physical equipment due to fire, flood, cyclone, or other such catastrophic damage; or other damage that is excessive to normal wear and tear. Also included are changes in the volume of information, computer, and telecommunication equipment due to obsolescence as a result of changes in technology, or some change in the way that the equipment is used (e.g. static computer equipment is replaced with laptops or tablets). A new investment in information, computer, and telecommunication equipment is not an other change in the volume of assets, but a transaction under *acquisitions of non-financial assets* (ETF 4114, NFAC 122, COFOG-A, SDC). Further information on information, computer, and telecommunication equipment can be found in paragraphs 8.125 to 8.126 of this manual.

Other changes in the volume of machinery and equipment not elsewhere classified (ETF 5212, NFAC 129)

11.163 *Other changes in the volume of machinery and equipment not elsewhere classified* (ETF 5212, NFAC 129) records the value of other changes in the volume of machinery and equipment not elsewhere classified (ETF 5212, NFAC 129) owned by public sector units. Other changes in the volume of machinery and equipment not elsewhere classified may arise through a number of different events including partial or complete destruction of the physical equipment due to fire, flood, cyclone, or other such catastrophic damage; or other damage that is excessive to normal wear and tear. Also included are changes in the volume of other machinery and equipment not elsewhere classified due to obsolescence as a result of changes in technology, or some change in the way that the machinery or equipment is used. A new investment in other machinery and equipment not elsewhere classified is not an other change in the volume of assets, but a transaction under *acquisitions of non-financial assets* (ETF 4114, NFAC 129, COFOG-A, SDC), or as *own-account capital formation* (ETF 4113, NFAC 129, COFOG-A, SDC) with a further breakdown using an appropriate category in the supporting information under *own-account capital formation* (ETF 76, NFAC 129, COFOG-A). Further information on machinery and equipment not elsewhere classified can be found in paragraphs 8.127 to 8.129 of this manual.

Other changes in the volume of cultivated biological resources (ETF 5212, NFAC 13)

11.164 This item records the value of other changes in the volume of cultivated biological resources (ETF 5212, NFAC 13) (net of depreciation) owned by public sector units. In GFS, other changes in the volume of cultivated biological resources are further classified as:

- Other changes in the volume of animal resources yielding repeat products (ETF 5212, NFAC 131); and
- Other changes in the volume of tree, crop, and plant resources yielding repeat products (ETF 5212, NFAC 132).

Other changes in the volume of animal resources yielding repeat products (ETF 5212, NFAC 131)

11.165 *Other changes in the volume of animal resources yielding repeat products* (ETF 5212, NFAC 131) records the value of other changes in the volume of animal resources yielding repeat products (ETF 5212, NFAC 131) owned by public sector units. Other changes in the volume of animal resources yielding repeat products may arise through a number of different events including partial or complete destruction of the physical resources due to fire, flood, disease, drought, or other such catastrophic damage. Also included are changes in the volume of animal resources yielding repeat products due to growth in numbers from natural breeding, and obsolescence as a result of some change in the way that the resources are used (i.e., an abattoir closes down). A new investment in animal resources yielding repeat products is not an other change in the volume of assets, but a transaction under *acquisitions of non-financial assets* (ETF 4114, NFAC 131, COFOG-A, SDC). Further information on animal resources yielding repeat products can be found in paragraphs 8.131 to 8.133 of this manual.

Other changes in the volume of tree, crop, and plant resources yielding repeat products (ETF 5212, NFAC 132)

11.166 *Other changes in the volume of tree, crop, and plant resources yielding repeat products* (ETF 5212, NFAC 132) records the value of other changes in the volume of tree, crop, and plant resources yielding repeat products (ETF 5212, NFAC 132) owned by public sector units. Other changes in the volume of tree, crop, and plant resources yielding repeat products may arise through a number of different events including partial or complete destruction of the physical resources due to fire, flood, disease, drought, or other such catastrophic damage. Also included are changes in the volume of tree, crop, and plant resources yielding repeat products due to natural growth, and through obsolescence as a result of some change in the way that the resources are used (i.e., the land that crops are grown on is rezoned for housing and the growing operation is shut down). A new investment in tree, crop, and plant resources yielding repeat products is not an other change in the volume of assets, but a transaction under *acquisitions of non-financial assets* (ETF 4114, NFAC 132, COFOG-A, SDC). Further information on tree, crop, and plant resources yielding repeat products can be found in paragraphs 8.134 to 8.137 of this manual

Other changes in the volume of intellectual property products (ETF 5212, NFAC 14)

11.167 *Other changes in the volume of intellectual property products* (ETF 5212, NFAC 14) records the value of other changes in the volume of intellectual property products (ETF 5212, NFAC 14) (net of depreciation) owned by public sector units. In GFS, other changes in the volume of intellectual property products are further classified as:

- Other changes in the volume of research and development (ETF 5212, NFAC 141);
- Other changes in the volume of mineral exploration and evaluation (ETF 5212, NFAC 142);
- Other changes in the volume of computer software (ETF 5212, NFAC 143);
- Other changes in the volume of databases (ETF 5212, NFAC 144);
- Other changes in the volume of entertainment, literary, and artistic originals (ETF 5212, NFAC 145); and
- Other changes in the volume of intellectual property products not elsewhere classified (ETF 5212, NFAC 149).

Other changes in the volume of research and development (ETF 5212, NFAC 141)

11.168 *Other changes in the volume of research and development* (ETF 5212, NFAC 141) records the value of other changes in the volume of research and development (ETF 5212, NFAC 141) undertaken by public sector units. Other changes in the volume of research and development may arise through obsolescence as a result of some change in the way that the research and development is used (i.e., a change in technology means that research and development into a particular issue may need to be abandoned). A new investment in research and development is not an other change in the volume of assets, but a transaction under *acquisitions of non-financial assets* (ETF 4114, NFAC 141, COFOG-A, SDC), or as *own-account capital formation* (ETF 4113, NFAC 141, COFOG-A, SDC) with a further breakdown using an appropriate category in the supporting information under *own-account capital formation* (ETF 76, NFAC 141, COFOG-A). Further information on research and development can be found in paragraphs 8.139 to 8.141

of this manual.

Other changes in the volume of mineral exploration and evaluation (ETF 5212, NFAC 142)

11.169 *Other changes in the volume of mineral exploration and evaluation* (ETF 5212, NFAC 142) records the value of other changes in the volume of mineral exploration and evaluation (ETF 5212, NFAC 142) undertaken by public sector units. Other changes in the volume of mineral exploration and evaluation may arise through obsolescence as a result of events such as the exploration and evaluation leading to insufficient quantities of the mineral resource to make continuation economically viable, or some advance in technology which changes the way that the mineral exploration and evaluation is conducted. A new investment in mineral exploration and evaluation is not an other change in the volume of assets, but a transaction under *acquisitions of non-financial assets* (ETF 4114, NFAC 142, COFOG-A, SDC), or as *own-account capital formation* (ETF 4113, NFAC 142, COFOG-A, SDC) with a further breakdown using an appropriate category in the supporting information under *own-account capital formation* (ETF 76, NFAC 142, COFOG-A). Further information on mineral exploration and evaluation can be found in paragraphs 8.142 to 8.143 of this manual.

Other changes in the volume of computer software (ETF 5212, NFAC 143)

11.170 This item records the value of other changes in the volume of computer software (ETF 5212, NFAC 143) owned by public sector units. Other changes in the volume of computer software may arise due to obsolescence as a result of changes in technology, or some change in the way that the computer software is used. A new investment in computer software is not an other change in the volume of assets, but a transaction under *acquisitions of non-financial assets* (ETF 4114, NFAC 143, COFOG-A, SDC), or as *own-account capital formation* (ETF 4113, NFAC 143, COFOG-A, SDC) with a further breakdown using an appropriate category in the supporting information under *own-account capital formation* (ETF 76, NFAC 143, COFOG-A). Further information on computer software can be found in paragraphs 8.144 to 8.145 of this manual.

Other changes in the volume of databases (ETF 5212, NFAC 144)

11.171 *Other changes in the volume of databases* (ETF 5212, NFAC 144) records the value of other changes in the volume of databases (ETF 5112, NFAC 144) owned by public sector units. Other changes in the volume of databases may arise due to obsolescence as a result of changes in technology, or some change in the way that the database is used. A new investment in databases is not an other change in the volume of assets, but a transaction under *acquisitions of non-financial assets* (ETF 4114, NFAC 144, COFOG-A, SDC), or as *own-account capital formation* (ETF 4113, NFAC 144, COFOG-A, SDC) with a further breakdown using an appropriate category in the supporting information under *own-account capital formation* (ETF 76, NFAC 144, COFOG-A). Further information on databases can be found in paragraph 8.146 of this manual.

Other changes in the volume of entertainment, literary, and artistic originals (ETF 5212, NFAC 145)

11.172 *Other changes in the volume of entertainment, literary, and artistic originals* (ETF 5212, NFAC 145) records the value of other changes in the volume of entertainment, literary, and artistic originals (ETF 5212, NFAC 145) owned by public sector units. Other changes in the volume of entertainment, literary, and artistic originals may arise through the partial or complete destruction of the physical originals due to fire, flood, or other such catastrophic damage. A new investment in entertainment, literary, and artistic originals is not an other change in the volume of assets, but a transaction under *acquisitions of non-financial assets* (ETF 4114, NFAC 145, COFOG-A, SDC). Further information on entertainment, literary, and artistic originals can be found in paragraph 8.147 of this manual.

Other changes in the volume of intellectual property products not elsewhere classified (ETF 5212, NFAC 149)

11.173 *Other changes in the volume of intellectual property products not elsewhere classified* (ETF 5212, NFAC 149) records the value of other changes in the volume of intellectual property products not elsewhere classified (ETF 5212, NFAC 149) owned by public sector units. Other changes in the volume of intellectual property products not elsewhere classified may arise due to obsolescence as a result of changes in technology, or some change in the way that the other intellectual property product is used. A new investment in intellectual property products is not an other change in the volume of assets, but a transaction under *acquisitions of non-financial assets* (ETF 4114, NFAC 149, COFOG-A, SDC), or as *own-account capital formation* (ETF 4113, NFAC 149, COFOG-A, SDC) with a further breakdown using an appropriate category in the supporting information under *own-account capital formation* (ETF 76, NFAC 149, COFOG-A). Further information on intellectual property products not elsewhere classified can be found in paragraphs 8.148 to 8.149 of this manual.

Other changes in the volume of weapons systems (ETF 5212, NFAC 15 and NFAC 151)

11.174 *Other changes in the volume of weapons systems (also known as defence weapons platforms)* (ETF 5212, NFAC 151) records the value of other changes in the volume of weapons systems (ETF 5212, NFAC 151) owned by public sector units. Other changes in the volume of weapons systems may arise due to obsolescence as a result of changes in technology. A new investment in weapons systems is not an other change in the volume of assets, but a transaction under *acquisitions of non-financial assets* (ETF 4114, NFAC 151, COFOG-A, SDC). Further information on weapons systems (also known as defence weapons platforms) can be found in paragraphs 8.150 to 8.151 of this manual.

Other changes in the volume of other produced assets (ETF 5212, NFAC 2)

11.175 *Other changes in the volume of other produced assets* (ETF 5212, NFAC 2) records the value of other changes in the volume of other non-financial produced assets (ETF 5212, NFAC 2) (net of depreciation) owned by public sector units. In GFS, other changes in the volume of other produced assets are further classified as:

- Other changes in the volume of inventories (ETF 5212, NFAC 21);
- Other changes in the volume of valuables (ETF 5212, NFAC 22); and
- Other changes in the volume of other produced assets (ETF 5212, NFAC 23).

Other changes in the volume of inventories (ETF 5212, NFAC 21)

11.176 *Other changes in the volume of inventories* (ETF 5212, NFAC 21) records the value of other changes in the volume of inventories (ETF 5112, NFAC 21) that are owned by public sector units. Paragraph 10.70 of the IMF GFSM 2014 notes that exceptional inventory losses from fire, robbery, insect and vermin infestation of grain stores, and unusually high levels of disease in livestock, etc. are included as other changes in the volume of assets. In this context, exceptional losses indicate that the losses are not only large in value, but also irregular in occurrence. Even very large losses that occur regularly should be taken into account when calculating the net change in inventories. The adjustment for unforeseen damage could be an increase in assets if the actual damage falls short of the assumption for losses.

11.177 In GFS, other changes in the volume of inventories are further classified as:

- Other changes in the volume of inventories - materials and supplies (ETF 5212, NFAC 211);
- Other changes in the volume of inventories - work in progress (ETF 5212, NFAC 212);
- Other changes in the volume of inventories - finished goods (ETF 5212, NFAC 213);
- Other changes in the volume of inventories - goods for resale (ETF 5212, NFAC 214); and
- Other changes in the volume of military inventories (ETF 5212, NFAC 215).

Other changes in the volume of inventories - materials and supplies (ETF 5212, NFAC 211)

11.178 *Other changes in the volume of inventories - materials and supplies* (ETF 5212, NFAC 211) records the value of other changes in the volume of inventories of materials and supplies (ETF 5112, NFAC 211) owned by public sector units. During the production process, inventories of materials and supplies are reclassified to work in progress through an other change in the volume of assets entry in the accounts. Paragraph 10.82 of the IMF GFSM 2014 notes that the reclassification from one type of inventory to another or from non-financial produced assets to inventories should not involve a change in value. If at the time of conversion, the previous value is different from the appropriate new value, a holding gain or loss should be recorded to account for the difference. If this is found to be happening systematically, the valuation techniques for inventories should be re-examined. Further information on inventories - materials and supplies can be found in paragraphs 8.154 to 8.156 of this manual.

Other changes in the volume of inventories - work in progress (ETF 5212, NFAC 212)

11.179 *Other changes in the volume of inventories - work in progress* (ETF 5212, NFAC 212) records the value of other changes in the volume of inventories of work in progress (ETF 5212, NFAC 212) owned by public sector units. During the production process, inventories of work in progress are reclassified to finished goods prior to sale through an other change in the volume of assets entry in the accounts. Paragraph 10.82 of the IMF GFSM 2014 notes that the reclassification from one type of inventory to another or from non-financial produced assets to inventories should not involve a change in value. If at the time of conversion, the previous value is different from the appropriate new value, a holding gain or loss should be recorded to account for the difference. If this is found to be happening systematically, the valuation techniques for inventories should be re-examined. Further information on inventories - work in progress can be found in paragraphs 8.157 to 8.160 of this manual.

Other changes in the volume of inventories - finished goods (ETF 5212, NFAC 213)

11.180 *Other changes in the volume of inventories - finished goods* (ETF 5212, NFAC 213) records the value of other changes in the volume of inventories of finished goods (ETF 5212, NFAC 213) owned by public sector units. During the production process, inventories of finished goods are reclassified to goods for resale through an other change in the volume of assets entry in the accounts. Paragraph 10.82 of the IMF GFSM 2014 notes that the reclassification from one type of inventory to another or from non-financial produced assets to inventories should not involve a change in value. If at the time of conversion, the previous value is different from the appropriate new value, a holding gain or loss should be recorded to account for the difference. If this is found to be happening systematically, the valuation techniques for inventories should be re-examined. Further information on inventories - finished goods can be found in paragraph 8.161 of this manual.

Other changes in the volume of inventories - goods for resale (ETF 5212, NFAC 214)

11.181 *Other changes in the volume of inventories - goods for resale* (ETF 5212, NFAC 214) records the value of other changes in the volume of inventories of goods for resale (ETF 5112, NFAC 214) owned by public sector units. Paragraph 10.82 of the IMF GFSM 2014 notes that the reclassification from one type of inventory to another or from non-financial produced assets to inventories should not involve a change in value. If at the time of conversion, the previous value is different from the appropriate new value, a holding gain or loss should be recorded to account for the difference. If this is found to be happening systematically, the valuation techniques for inventories should be re-examined. Further information on inventories - goods for resale can be found in paragraphs 8.162 to 8.165 of this manual.

Other changes in the volume of inventories - military inventories (ETF 5212, NFAC 215)

11.182 *Other changes in the volume of inventories - military inventories* (ETF 5212, NFAC 215) records the value of other changes in the volume of military inventories (ETF 5212, NFAC 215) owned by public sector units. Included are changes in the volume of single-use items, such as ammunition, missiles, rockets, bombs, etc., delivered by weapons or weapons systems. Further information on military inventories can be found in paragraphs 8.166 to 8.168 of this manual.

Other changes in the volume of valuables (ETF 5212, NFAC 22 and NFAC 221)

11.183 *Other changes in the volume of valuables* (ETF 5212, NFAC 221) records the value of other changes in the volume of valuables (ETF 5212, NFAC 221) (net of depreciation) owned by public sector units. Paragraph 10.50 of the IMF GFSM 2014 states that valuables (such as precious stones, antiques, and other art objects), for which the high value or artistic significance has not already been recorded in the balance sheet, should be recognised through an other change in the volume of assets entry in the accounts. Prior to this the object may have been of little value and not considered an asset. For example, the item might have been considered an ordinary good whose purchase was recorded as an expense, classified in *use of goods and services* (ETF 1233). Recognition of its worth as a store of value leads to its entrance into the balance sheet as a valuable. The recognition of the value of a existing item is often necessitated by a sale (e.g., at auction). The sale is recorded as a transaction under the disposal of non-financial assets only after the asset first entered into the balance sheet of the seller through an entry in other changes in the volume of assets. Further information on valuables can be found in paragraphs 8.169 to 8.170 of this manual.

Other changes in the volume of non-produced assets (ETF 5212, NFAC 3)

11.184 *Other changes in the volume of non-produced assets* (ETF 5212, NFAC 3) records the value of other changes in the volume of non-financial non-produced assets (ETF 5212, NFAC 3) owned by public sector units. Paragraph 10.52 of the IMF GFSM 2014 states that a government unit can create an economic asset by exerting ownership rights over a naturally occurring asset that had not previously been recognised as an asset, such as the electromagnetic spectrum or fish stocks in exclusive economic zones. When this occurs, the asset enters the balance sheet through other changes in the volume of assets. It may be difficult to determine the exact time at which a natural asset should be added to the balance sheet, and to determine the value that should be attributed to it at that time. Often, the date at which the first substantial commercial exploitation begins or the signing of a contract to permit commercial exploitation is used to establish the time of recording. It is possible that some natural resources cease to be exploited because of changed technology, reduced demand for the resulting product, or for legislative reasons. When this change in use occurs, the asset is removed from the balance sheet through other changes in the volume of assets.

11.185 Paragraph 10.52 of the IMF GFSM 2014 notes that the difference between a quality change and a price change is a matter of degree, and it may not always be clear whether other changes in the volume of assets or a holding gain is most appropriate. For example, activities adjacent to land may change the volume of land (recorded as another volume change), while the value of land in the vicinity may also increase due to a rise in general price levels of land (recorded as holding gains).

11.186 In GFS, other changes in the volume of non-produced assets are further classified as:

- Other changes in the volume of tangible non-produced assets (ETF 5212, NFAC 31);
- Other changes in the volume of intangible non-produced assets (ETF 5212, NFAC 32); and
- Other changes in the volume of other non-produced assets (ETF 5212, NFAC 39).

Other changes in the volume of tangible non-produced assets (ETF 5212, NFAC 31)

11.187 *Other changes in the volume of tangible non-produced assets* (ETF 5212, NFAC 31) records the value of other changes in the volume of non-financial non-produced assets owned by government. In GFS, other changes in the volume of non-financial non-produced assets are further classified as:

- Other changes in the volume of land (ETF 5212, NFAC 311);
- Other changes in the volume of mineral and energy resources (ETF 5212, NFAC 312);
- Other changes in the volume of non-cultivated biological resources (ETF 5212, NFAC 313);
- Other changes in the volume of water resources (ETF 5212, NFAC 314);
- Other changes in the volume of radio spectra (ETF 5212, NFAC 315); and
- Other changes in the volume of tangible non-produced assets not elsewhere classified (ETF 5212, NFAC 319).

Other changes in the volume of land (ETF 5212, NFAC 311)

11.188 *Other changes in the volume of land* (ETF 5212, NFAC 311) records the value of other changes in the volume of land (ETF 5212, NFAC 311) owned by public sector units. Paragraph 10.52 of the IMF GFSM 2014 states that not all land included in the geographic surface area of a country is necessarily within the asset boundary of GFS. Land may make its economic appearance when (for example) general economic development in nearby areas transforms the land from a wild or waste state to a state in which ownership rights can be enforced, and the land can be put to economic use. Land may also make its economic appearance (or enter the asset boundary) because of activity in the vicinity, for example land that becomes more accessible because a new development is established nearby or an access road built. Any excess in the value of the land over the value of land improvements, or any increase due to adjacent capital activity is recorded as economic appearance in GFS. For virgin forests, gathering firewood is not commercial exploitation, but large-scale harvesting of a virgin forest for timber is, and brings the forest into the asset boundary for GFS purposes.

11.189 Paragraph 10.52 of the IMF GFSM 2014 further notes that quality changes in natural resources that are already within the asset boundary due to changes in economic uses is regarded as the appearance of additional amounts of the asset. For example, the use of bare rural land changes when it becomes land underlying buildings and may result in a change in the balance sheet value that is recorded through an other change in the volume of the assets entry in the accounts. All degradation of land and other natural assets caused by economic activity should be recorded as negative other changes in the volume of assets. The degradation may be the anticipated result from regular economic activity or less predictable erosion and other damage to land from deforestation or improper agricultural practices. Further information on land can be found in paragraphs 8.176 to 8.178 of this manual.

Other changes in the volume of mineral and energy resources (ETF 5212, NFAC 312)

11.190 *Other changes in the volume of mineral and energy resources* (ETF 5212, NFAC 312) records the value of other changes in the volume of mineral and energy resources (ETF 5212, NFAC 312) owned by public sector units. With regard to discoveries / extractions and upward / downward reappraisals of subsoil resources, paragraph 10.52 of the IMF GFSM 2014 states that the value of these resources may increase in the balance sheet by the discovery of new exploitable deposits, whether as a result of systematic scientific explorations or surveys, or by chance. Economic appearance may also occur because a deposit of subsoil minerals has become economically exploitable as a result of technological progress or relative price changes. Conversely, the value of these resources may decrease in the balance sheet by the depletion of deposits of subsoil assets as a result of the physical extraction and use of the assets, or from downward reappraisals that reduce their exploitability because of changes in technology or relative prices. Further information on mineral and energy resources can be found in paragraphs 8.179 to 8.182 of this manual.

Other changes in the volume of non-cultivated biological resources (ETF 5212, NFAC 313)

11.191 *Other changes in the volume of non-cultivated biological resources* (ETF 5212, NFAC 313) records the value of other changes in the volume of non-cultivated biological resources (ETF 5212, NFAC 313) owned by public sector units. With regard to natural growth / harvesting of non-cultivated biological resources, paragraph 10.52 of the IMF GFSM 2014 states that the natural growth of non-cultivated biological resources (such as natural forests and fish stocks) may take various forms, for example, a stand of natural timber may grow taller, or fish in the estuaries may become more numerous. Although these resources are economic assets, growth of this kind is not under the direct control, responsibility, and management of an institutional unit, and so is not treated as a transaction in net investment in non-financial produced assets. In principle, natural growth should be recorded gross, and the depletion of these resources should be recorded as economic disappearance through an other change in volume entry in the accounts. In practice, however, the net natural growth may only be available because the net physical measures are likely to be available. The net physical measure multiplied by the market price for a unit of the asset may be used in estimating the value of the volume change to be recorded.

11.192 Paragraph 10.52 of the IMF GFSM 2014 further notes that the depletion of natural forests, fish stocks in the open seas, and other non-cultivated biological resources included in the asset boundary of general government or public sector units as a result of harvesting, forest clearance, or other use beyond sustainable levels of extraction constitutes an economic disappearance of assets and should be recorded as negative other changes in the volume of assets. It is possible that some natural resources cease to be exploited because of changed technology, reduced demand for the resulting product, or for legislative reasons. When this change in use occurs, the asset is removed from the balance sheet through other changes in the volume of assets. Further information on non-cultivated biological resources can be found in paragraphs 8.183 to 8.185 of this manual.

Other changes in the volume of water resources (ETF 5212, NFAC 314)

11.193 *Other changes in the volume of water resources* (ETF 5212, NFAC 314) records the value of other changes in the volume of water resources (ETF 5212, NFAC 314) owned by public sector units. Paragraph 10.52 of the IMF GFSM 2014 notes that a government unit can bring a previously unrecognised asset into the asset boundary of GFS by exerting ownership rights over a naturally occurring asset. When this occurs, the asset enters the balance sheet through other changes in the volume of assets. In the context of water resources, drawing water from a natural spring does not bring an aquifer into the asset boundary of GFS, but a significant diversion of ground water does. A move to charge for regular extraction from a body of surface water may also bring a water resource into the balance sheet. All degradation of water resources caused by economic activity should be recorded as negative other changes in the volume of assets. Further information on water resources can be found in paragraphs 8.186 to 8.187 of this manual.

Other changes in the volume of radio spectra (ETF 5212, NFAC 315)

11.194 *Other changes in the volume of radio spectra* (ETF 5212, NFAC 315) records the value of other changes in the volume of radio spectra (ETF 5212, NFAC 315) owned by public sector units. Paragraph 10.52 of the IMF GFSM 2014 states that a government unit can create an economic asset by exerting ownership rights over a naturally occurring asset that had not previously been recognised as an asset (such as the electromagnetic spectrum). When this occurs, the asset enters the balance sheet through other changes in the volume of assets. Further information on radio spectra can be found in paragraph 8.188 of this manual.

Other changes in the volume of tangible non-produced assets not elsewhere classified (ETF 5212, NFAC 319)

11.195 *Other changes in the volume of tangible non-produced assets not elsewhere classified* (ETF 5212, NFAC 319) records the value of other changes in the volume of tangible non-produced assets owned by public sector units that are not elsewhere classified (ETF 5212, NFAC 319). The entry and exit or change in the volume of other natural resources through degradation, discoveries, or natural growth, are recorded on the GFS balance sheet through an other change in volume entry in the accounts. Further information on tangible non-produced assets not elsewhere classified can be found in paragraph 8.189 of this manual.

Other changes in the volume of intangible non-produced assets (ETF 5212, NFAC 32)

11.196 *Other changes in the volume of intangible non-produced assets* (ETF 5212, NFAC 32) records the value of other changes in the volume of intangible non-produced assets (ETF 5212, NFAC 32) owned by public sector units. Paragraph 10.53 of the IMF GFSM 2014 recommends that assets in the form of contracts, leases, and licences should be recognised in the balance sheet of the holder only when the value of the asset can be realised. In this case, they are first recorded as other changes in the volume of assets and, subsequently, form the basis of a transaction (or series of transactions). The value of the contract, lease, or licence that is treated as an asset is equal to the present value of the excess of the prevailing price over the contract price. The value will decline as the remaining contract period shortens. Changes in the value of the contract, lease, or licence due to changes in the prevailing price are recorded as holding gains or losses (revaluations); changes due to the expiration of the time over which the contract, lease, or licence is valid are recorded as other changes in volume of assets (i.e. to write off the cost of the asset amortisation). The rate at which the value is written down should be in accordance with generally accepted accounting principles. Further information on intangible non-produced assets can be found in paragraph 8.190 of this manual.

11.197 In GFS, other changes in the volume of intangible non-produced assets are further classified as:

- Other changes in the volume of marketable operating leases (ETF 5212, NFAC 321);
- Other changes in the volume of permits to use natural resources (ETF 5212, NFAC 322);
- Other changes in the volume of permits to undertake specific activities (ETF 5212, NFAC 323);
- Other changes in the volume of entitlements to future goods and services on an exclusive basis (ETF 5212, NFAC 324);
- Other changes in the volume of goodwill and marketing assets (ETF 5212, NFAC 325); and

- Other changes in the volume of intangible non-produced assets not elsewhere classified (ETF 5212, NFAC 329).

Other changes in the volume of marketable operating leases (ETF 5212, NFAC 321)

11.198 *Other changes in the volume of marketable operating leases* (ETF 5212, NFAC 321) records the value of other changes in the volume of marketable operating leases (ETF 5112, NFAC 321) owned by public sector units. Changes in the volume of marketable operating leases may arise through a number of events including the merging or splitting of government units through machinery of government or other structural changes. This may lead to changes in the volume of marketable operating leases, which are recorded through an other change in volume entry in the accounts. Further information on marketable operating leases can be found in paragraph 8.191 and Chapter 13 Part H of this manual.

Other changes in the volume of permits to use natural resources (ETF 5212, NFAC 322)

11.199 *Other changes in the volume of permits to use natural resources* (ETF 5212, NFAC 322) records the value of other changes in the volume of permits to use natural resources (ETF 5212, NFAC 322) owned by public sector units. Changes in the volume of permits to use natural resources may arise through a number of events including the depletion of the natural resource leading to a necessary reduction in the permits allowing use, also legislative changes or restrictions may influence the volume of permits to use natural resources. These changes are recorded through an other change in volume entry in the accounts. Further information on permits to use natural resources can be found in paragraph 8.192 and Chapter 13 Part H of this manual.

Other changes in the volume of permits to undertake specific activities (ETF 5212, NFAC 323)

11.200 *Other changes in the volume of permits to undertake specific activities* (ETF 5212, NFAC 323) records the value of other changes in the volume of permits to undertake specific activities (ETF 5212, NFAC 323) owned by public sector units. Changes in the volume of permits to undertake specific activities may arise through a number of events including legislative changes or restrictions which make the activity illegal (or vice versa), or a change in technology which makes the specific activity obsolete. These changes are recorded through an other change in volume entry in the accounts. Further information on permits to undertake specific activities can be found in paragraph 8.193 to 8.194 and Chapter 13 Part H of this manual.

Other changes in the volume of entitlements to future goods and services on an exclusive basis (ETF 5212, NFAC 324)

11.201 *Other changes in the volume of entitlements to future goods and services on an exclusive basis* (ETF 5212, NFAC 324) records the value of other changes in the volume of entitlements to future goods and services on an exclusive basis (ETF 5212, NFAC 324) owned by public sector units. Changes in the volume of entitlements to future goods and services on an exclusive basis may arise through a number of events including a change in the need for the future goods and services, rendering the need for exclusive entitlement obsolete. These changes are recorded through an other change in volume entry in the accounts. Further information on entitlements to future goods and services on an exclusive basis can be found in paragraph 8.195 of this manual.

Other changes in the volume of goodwill and marketing assets (ETF 5112, NFAC 325)

11.202 *Other changes in the volume of goodwill and marketing assets* (ETF 5112, NFAC 325) records the value of other changes in the volume of goodwill and marketing assets (ETF 5112, NFAC 325) owned by public sector units. Paragraph 10.54 of the IMF GFSM 2014 notes that when an enterprise (whether a corporation, quasi-corporation, or unincorporated enterprise) is sold, the price payable may not equal the sum of all the assets minus the liabilities of the enterprise. The difference between the price payable and the sum of all the assets minus liabilities is called the purchased goodwill and marketing assets of the buyer. The value may be positive or negative (or zero). Because the purchased goodwill and marketing assets is equal to the difference in the price payable and the sum of all the assets minus liabilities, when the buyer includes goodwill and marketing assets in the calculation of the net worth of the enterprise at the moment it is bought, net worth will be exactly zero.

11.203 Paragraph 10.55 of the IMF GFSM 2014 states that the value of purchased goodwill and marketing assets is calculated at the time of the sale, and entered in the books of the seller as an other change in the volume of assets. Subsequently, it is then exchanged as a transaction with the purchaser. Thereafter, the value of the purchased goodwill and marketing asset must be written down in the books of the purchaser via entries under other changes in the volume of assets. The rate at which it is written down should be in accordance with generally accepted accounting principles.

11.204 Paragraph 10.55 of the IMF GFSM 2014 notes that goodwill which is not evidenced by a sale or purchase, is not considered to be an economic asset in GFS. In some exceptions, a marketing asset may be subject to sale. When this is the case, entries should be made for the buyer and the seller along the lines of those made for purchased goodwill and marketing assets when the entire enterprise is sold. Further information on goodwill and marketing assets can be found in paragraphs 8.196 to 8.198 of this manual.

Other changes in the volume of intangible non-produced assets not elsewhere classified (ETF 5212, NFAC 329)

11.205 *Other changes in the volume of intangible non-produced assets not elsewhere classified* (ETF 5212, NFAC 329) records the value of other changes in the volume of intangible non-produced assets not elsewhere classified (ETF 5212, NFAC 329) owned by public sector units. Changes in the volume of intangible non-produced assets may arise through a number of events including the merging or splitting of government units through machinery of government or other structural changes. This may lead to changes in the volume of marketable operating leases, which are recorded through an other change in volume entry in the accounts. Further information on intangible non-produced assets not elsewhere classified can be found in paragraphs 8.199 to 8.200 of this manual.

Other changes in the volume of other non-produced assets (ETF 5212, NFAC 33 and NFAC 339)

11.206 *Other changes in the volume of other non-financial non-produced assets* (ETF 5212, NFAC 33 and NFAC 339) records the value of other changes in the volume of other non-financial non-produced assets (ETF 5212, NFAC 33 and NFAC 339) owned by public sector units. Changes in the volume of other non-financial non-produced assets not elsewhere classified may arise through a number of events including the merging or splitting of government units through machinery of government or other structural changes. Further information on other non-financial non-produced assets not elsewhere classified can be found in paragraph 8.201 of this manual.

Change in net worth due to other changes in volume (ETF 5212, NFAC 512 and NFAC 5121)

11.207 *Change in net worth due to other changes in volume* (ETF 5212, NFAC 512 and NFAC 5121) is used to record the change in net worth due to other changes in volume during the reporting period. Paragraph 10.2 of the IMF GFSM 2014 defines the change in net worth due to other changes in volume as the sum of all positive or negative other changes in the volume of assets and liabilities. Further information on the change in net worth can be found in Chapter 11 Part F of this manual.

CHAPTER 12 - THE STATEMENT OF SOURCES AND USES OF CASH

PART A - INTRODUCTION

12.1 The statement of sources and uses of cash (formerly known as the cash flow statement in Australian GFS) records the total amount of cash generated through the operating activities of the government during the current period, and includes transactions in non-financial assets settled in cash and transactions involving financial assets and liabilities settled in cash. The statement of sources and uses of cash essentially records when cash is received by the government and when cash is paid by the government during an accounting period.

12.2 This chapter describes the statement of sources and uses of cash, and the framework of sources and uses of cash in GFS.

PART B - THE STATEMENT OF SOURCES AND USES OF CASH

12.3 The main purpose of the statement of sources and uses of cash is to assess the level of liquidity of the general government and public sectors by measuring the net cash inflow from operating activities and the cash surplus (+) / cash deficit (-) position of the government. Paragraph 4.32 of the IMF GFSM 2014 describes the statement of sources and uses of cash as showing the total amount of cash generated or absorbed by current operating activities, transactions in non-financial assets, and transactions involving financial assets and liabilities other than the financial asset, *cash and deposit* (FALC 111) itself. This therefore reflects the cash basis of accounting. Non-cash flow items such as depreciation, accounts receivable / accounts payable or in-kind transactions are not captured by the statement of sources and uses of cash. Table 12.1 below shows a broad outline of the elements that comprise the GFS statement of sources and uses of cash.

Table 12.1 - Statement of sources and uses of cash

	Cash flows from operating activities
	Cash receipts from operating activities (ETF 211)
	Less
	Cash payments for employee expenses (ETF 212)
	Less
	Cash payments for non-employee expenses (ETF 213)
	Equals
1	Cash flows from operating activities (ETF 21)
2	Cash flows from transactions in non-financial assets (ETF 22)
3	Cash flows from transactions in financial assets for policy purposes (ETF 23)
4	Cash flows from investments in financial assets for liquidity management purposes (ETF 24)
5	Cash flows from financing activities (ETF 25)
	Net change in the stock of cash **[1 + 2 + 3 + 4 + 5]**
	GFS cash surplus (+) / GFS cash deficit (-) **[1 + 2]**

PART C - THE CLASSIFICATION OF SOURCES AND USES OF CASH

12.4 The statement of sources and uses of cash records transactions in the form of cash inflows from revenues, cash outflows from expenses, cash flows from the net acquisition of non-financial assets, cash flows from transactions in financial assets for policy purposes, cash flows from investments in financial assets for liquidity management purposes, and cash flows from financing activities during the reporting period. The concept of cash flows from other financing transactions includes *cash flows from transactions in non-*

financial assets (ETF 22) consisting of *expenditure on non financial assets (net)* (ETF 221); *cash flows from transactions in financial assets for policy purposes* (ETF 23) consisting of *advances paid (net)* (ETF 231), and *equity acquisitions, disposals and sale of equity (net)* (ETF 232); *cash flows from investments in financial assets for liquidity management purposes* (ETF 24) consisting of *increase in investments* (ETF 241); and *cash flows from financing activities* (ETF 25) consisting of *advances received (net)* (ETF 251), *borrowing (net)* (ETF 252), *deposits received* (ETF 253), and *other financing (net)* (ETF 259).

12.5 The broad framework of the statement of sources and uses of cash is shown in Table 12.2 below:

Table 12.2 - The broad framework of the statement of sources and uses of cash

Descriptor	ETF
Cash flows from operating activities	**21**
Cash receipts from operating activities	211
Cash payments for employee expenses	212
Cash payments for non-employee expenses	213
Cash flows from transactions in non-financial assets	**22**
Expenditure on non-financial assets (net)	221
Cash flows from transactions in financial assets for policy purposes	**23**
Advances paid (net)	231
Equity acquisitions, disposals and sale of equity (net)	232
Cash flows from investments in financial assets for liquidity management purposes	**24**
Increase in investments	241
Cash flows from financing activities	**25**
Advances received (net)	251
Borrowing (net)	252
Deposits received (net)	253
Other financing (net)	259
Increase / (decrease) in cash held	**26**
Increase / (decrease) in cash held	261

12.6 The statement of sources and uses of cash only reflects transactions that are in cash, meaning that transactions are only recorded when cash is received or paid. Paragraph 4.35 of the IMF GFSM 2014 looks at the additional useful information that may be derived from the differences between amounts reported in the statement of operations and the statement of sources and uses of cash in GFS. There are some broad types of transactions that are recorded in the statement of operations but not in the statement of sources and uses of cash:

- Expense transactions that will be settled in cash in the future - with accrual recording, a purchase of goods and services is recognised when the ownership of goods changes hands or services are provided. The associated cash payment may not take place until a subsequent reporting period, in which case it would not be included in the statement of sources and uses of cash in the same period as it appears in the statement of operations. The fiscal implication of such differences in amounts reported may indicate a larger need for liquidity in the future to provide for the payments of accrued expense.
- Revenue transactions that were settled in cash but will be earned in the future - revenue can be received in cash before it is earned by the delivery of goods or provision of services to the purchaser. In addition, taxes and other compulsory revenue may be earned, but may be unpaid and will be settled in the future. The fiscal implication of such differences may indicate a larger demand for service delivery in the future, or a need to assess the efficiency of tax collection efforts.
- Transactions in assets and liabilities that will be settled in cash in future periods - such as the interest accruing from the amortisation of the discount on a zero-coupon or other discounted bond. There may be fiscal implications for liquidity management.

- Transactions that are not in cash by their nature - such as depreciation, imputed transactions, barter, other transactions in kind and debt forgiveness are non-cash transactions. These types of transactions would therefore not be recorded in the statement of sources and uses of cash.

12.7 The detailed framework of the *statement of sources and uses of cash* (ETF 2) is shown in Table 12.3 below. This shows a hierarchical framework of cash flows from operating activities and from investment activities in cash. Also shown are the classification codes required to populate the statement of sources and uses of cash for output purposes. These are the ETF code for each item appearing in the statement of sources and uses of cash and the appropriate source destination code (SDC) applicable to each category.

Table 12.3 - The detailed classification of the statement of sources and uses of cash (ETF 2)

Descriptor	Classification codes
Cash flows from operating activities	**ETF 21**
Cash receipts from operating activities	**ETF 211**
Taxes received	ETF 2111 SDC
Cash received from sales of goods and services	ETF 2112 SDC
Grants and subsidies received	ETF 2113 SDC
Income transferred from public corporations	ETF 2114 SDC
Interest received	ETF 2115 SDC
Cash receipts from operating activities not elsewhere classified	ETF 2119 SDC
Cash payments for employee expenses	**ETF 212**
Cash paid for employee superannuation - defined contribution scheme	ETF 2121 SDC
Cash paid for employee superannuation - defined benefit scheme	ETF 2122 SDC
Salary sacrifice expenses - superannuation	ETF 2123 SDC
Salary sacrifice expenses - items other than superannuation	ETF 2124 SDC
Cash payments for employee expenses not elsewhere classified	ETF 2129 SDC
Cash payments for non-employee expenses	**ETF 213**
Cash paid for the purchase of other goods and services	ETF 2131 SDC
Subsidies paid	ETF 2132 SDC
Grants paid	ETF 2133 SDC
Other transfer payments	ETF 2134 SDC
Interest paid	ETF 2135 SDC
Distributions paid	ETF 2136 SDC
Cash payments for non-employee expenses not elsewhere classified	ETF 2139 SDC
Cash flows from investments in non-financial assets	**ETF 22**
Expenditure on non-financial assets (net)	**ETF 221**

Purchases of new non-financial assets	ETF 2211 NFAC SDC
Purchases of second hand non-financial assets	ETF 2212 NFAC SDC
Sales of non-financial assets	ETF 2213 NFAC SDC
Cash flows from transactions in financial assets for policy purposes	**ETF 23**
Advances paid (net)	**ETF 231**
Advances paid - concessional loans	ETF 2311 SDC
Advances paid other than concessional loans	ETF 2312 SDC
Repayments of advances	ETF 2313 SDC
Equity acquisitions, disposals and sale of equity (net)	**ETF 232**
Equity acquisitions	ETF 2321 SDC
Equity disposals and sale of equity	ETF 2322 SDC
Cash flows from investments in financial assets for liquidity management purposes	**ETF 24**
Increase in investments	**ETF 241**
Increase in investments	ETF 2411 SDC
Cash flows from financing activities	**ETF 25**
Advances received (net)	**ETF 251**
Advances received - concessional loans	ETF 2511 SDC
Advances received other than concessional loans	ETF 2512 SDC
Advances repaid	ETF 2513 SDC
Borrowing (net)	**ETF 252**
Borrowing (net)	ETF 2521 SDC
Deposits received	**ETF 253**
Increase in deposits received	ETF 2531 SDC
Other financing (net)	**ETF 259**
Other financing not elsewhere classified (net)	ETF 2599 SDC
Increase / (decrease) in cash held	**ETF 26**
Increase / (decrease) in cash held	**ETF 261**
Increase / (decrease) in cash held	ETF 2611

Cash flows from operating activities (ETF 21)

12.8 *Cash flows from operating activities* (ETF 21) is a net measure representing cash receipts arising from operating activities less cash payments arising from operating activities. Operating activities are the types of activities recorded in the operating statement to derive the net operating balance (see Chapter 5 of this manual). In GFS, cash flows from operating activities are further classified as:

- *Cash receipts from operating activities* (ETF 211);
- *Cash payments for employee expenses* (ETF 212); and
- *Cash payments for non-employee expenses* (ETF 213).

Cash receipts from operating activities (ETF 211)

12.9 *Cash receipts from operating activities* (ETF 211) records the value of the total amount of cash received from operating activities. In GFS, cash receipts from operating activities are further classified into:

- *Taxes received* (ETF 2111, SDC);
- *Cash received from sales of goods and services* (ETF 2112, SDC);
- *Grants and subsidies received* (ETF 2113, SDC);
- *Income transferred from public corporations* (ETF 2114, SDC);
- *Interest received* (ETF 2115, SDC); and
- *Cash receipts from operating activities not elsewhere classified* (ETF 2119, SDC).

Taxes received (ETF 2111, SDC)

12.10 *Taxes received* (ETF 2111, SDC) records the value of cash received from compulsory levies imposed by government on other entities during the reporting period. Further information on the types of taxes that may be received can be found in paragraphs 6.27 to 6.119 of this manual.

Cash received from sales of goods and services (ETF 2112, SDC)

12.11 *Cash received from sales of goods and services* (ETF 2112, SDC) records the value of cash received from the direct provision of goods and services by general government and public corporations, excluding GST. Included are cash receipts from fees and charges for services rendered by general government and public corporations; the sale of goods and services by market establishments; administrative fees charged for services; revenues of general government units for work done when acting as an agent for other government and private units; and incidental sales by non-market establishments. Further information on sales of goods and services can be found in paragraphs 6.120 to 6.124 of this manual.

Grants and subsidies received (ETF 2113, SDC)

12.12 *Grants and subsidies received* (ETF 21d d0d13, SDC) records the value of voluntary transfers in the form of grants and subsidies received in cash during the reporting period. Further information on grants and subsidies can be found in paragraph 6.150 of this manual.

Income transferred from public corporations (ETF 2114, SDC)

12.13 *Income transferred from public corporations* (ETF 2114, SDC) records the value of income in the form of dividends or tax equivalent payments from public corporations received in cash during the reporting period. Further information on income transferred from public corporations can be found in paragraphs 6.130 to 6.135 of this manual.

Interest received (ETF 2115, SDC)

12.14 *Interest received* (ETF 2115, SDC) records the value of interest received in cash during the reporting period. Further information on interest received can be found in paragraphs 6.126 to 6.129 of this manual.

Cash receipts from operating activities not elsewhere classified (ETF 2119, SDC)

12.15 *Cash receipts from operating activities not elsewhere classified* (ETF 2119, SDC) records the value of other receipts not elsewhere classified received in cash during the reporting period. Further information on other types of receipts not elsewhere classified can be found in paragraphs 6.136 to 6.148 of this manual.

Cash payments for employee expenses (ETF 212)

12.16 *Cash payments for employee expenses* (ETF 212) records the total amount of cash paid for the employee expenses during the reporting period. In GFS, cash payments for employee expenses are further classified into:

- *Cash paid for employee superannuation - defined contribution scheme* (ETF 2121, SDC);
- *Cash paid for employee superannuation - defined benefit scheme* (ETF 2122, SDC);
- *Salary sacrifice expenses - superannuation* (ETF 2123, SDC);
- *Salary sacrifice expenses - items other than superannuation* (ETF 2124, SDC); and
- *Cash payments for employee expenses not elsewhere classified* (ETF 2129, SDC).

Cash paid for employee superannuation - defined contribution scheme (ETF 2121, SDC)

12.17 *Cash paid for employee superannuation - defined contribution scheme* (ETF 2121, SDC) records the value of cash paid for employee defined contribution superannuation schemes during the reporting period. Further information on defined contribution superannuation schemes can be found in paragraph 7.11 and Chapter 13 Part I of this manual.

Cash paid for employee superannuation - defined benefit scheme (ETF 2122, SDC)

12.18 *Cash paid for employee superannuation - defined benefit scheme* (ETF 2122, SDC) records the value of cash paid for employee defined benefit superannuation schemes during the reporting period. Further information on defined benefit superannuation schemes can be found in paragraphs 7.12 to 7.14, and Chapter 13 Part I of this manual.

Salary sacrifice expenses - superannuation (ETF 2123, SDC)

12.19 *Salary sacrifice expenses - superannuation* (ETF 2123, SDC) records the value of cash paid for expenses relating to salary sacrificed superannuation during the reporting period. Further information on salary sacrifice expenses can be found in Appendix 1 Part B of this manual.

Salary sacrifice expenses - items other than superannuation (ETF 2124, SDC)

12.20 *Salary sacrifice expenses - items other than superannuation* (ETF 2124, SDC) records the value of cash paid for expenses relating to salary sacrificed items other than superannuation during the reporting period. Further information on salary sacrifice expenses can be found in Appendix 1 Part B of this manual.

Cash payments for employee expenses not elsewhere classified (ETF 2129, SDC)

12.21 *Cash payments for employee expenses not elsewhere classified* (ETF 2129, SDC) records the value of cash paid for employee expenses not elsewhere classified during the reporting period. This category includes cash payments for wages and salaries, fringe benefits tax expenses, and workers' compensation expenses.

Cash payments for non-employee expenses (ETF 213)

12.22 *Cash payments for non-employee expenses* (ETF 213) records the value of the total amount of cash paid for non-employee expenses during the reporting period. In GFS, cash payments for non-employee expenses are further classified as:

- *Cash paid for the purchase of other goods and services* (ETF 2131, SDC);
- *Subsidies paid* (ETF 2132, SDC);
- *Grants paid* (ETF 2133, SDC);
- *Other transfer payments* (ETF 2134, SDC);

- *Interest paid* (ETF 2135, SDC);
- *Distributions paid* (ETF 2136, SDC); and
- *Cash payments for non-employee expenses not elsewhere classified* (ETF 2139, SDC).

Cash paid for the purchase of other goods and services (ETF 2131, SDC)

12.23 *Cash paid for the purchase of other goods and services* (ETF 2131, SDC) records the value of cash paid for the purchase of other goods and services during the reporting period. Further information on government payments for goods and services can be found in paragraphs 7.28 to 7.35 of this manual.

Subsidies paid (ETF 2132, SDC)

12.24 *Subsidies paid* (ETF 2132, SDC) records the value of cash transfers paid in the form of subsidies during the reporting period. Further information on subsidies can be found in paragraphs 7.42 to 7.44 of this manual.

Grants paid (ETF 2133, SDC)

12.25 *Grants paid* (ETF 2133, SDC) records the value of cash transfers paid in the form of current and capital grants during the reporting period. Further information on grants paid can be found in paragraphs 7.40 to 7.41 of this manual.

Other transfer payments (ETF 2134, SDC)

12.26 *Other transfer payments* (ETF 2134, SDC) records the value of cash paid for other transfer payments during the reporting period. Further information on other transfer payments can be found in paragraphs 7.45 to 7.53 of this manual.

Interest paid (ETF 2135, SDC)

12.27 *Interest paid* (ETF 2135, SDC) records the value of cash paid for interest. Included are interest paid in cash on advances, loans, overdrafts, bonds and bills, and deposits during the reporting period. Further information on interest paid can be found in paragraphs 7.54 to 7.60 of this manual.

Distributions paid (ETF 2136, SDC)

12.28 *Distributions paid* (ETF 2136, SDC) records the cash value of distributions paid in the form of cash transfers by public enterprises to their parent entities and other shareholders in the form of dividends, transfer of profits or other similar distributions during the reporting period. Further information on types of distributions paid can be found in paragraphs 7.61 to 7.75 of this manual.

Cash payments for non-employee expenses not elsewhere classified (ETF 2139, SDC)

12.29 *Cash payments non-employee expenses not elsewhere classified* (ETF 2139, SDC) records the value of cash paid for other non-employee expenses not elsewhere classified.

Cash flows from transactions in non-financial assets (ETF 22 and ETF 221, NFAC, SDC)

12.30 *Cash flows from transactions in non-financial assets* (ETF 22, NFAC, SDC and ETF 221, NFAC, SDC) records the value of the total cash flows from transactions in non-financial assets by government during the reporting period. This category is further classified into *expenditure on non-financial assets (net)* (ETF 221). This category is similar to *transactions in non-financial assets* (ETF 4), but only cash-based transactions are recorded here.

12.31 *Expenditure on non-financial assets (net)* (ETF 221) records the total value of expenditure on non-financial assets in cash during the reporting period, on a net basis. This refers to net expenditure on new and second-hand non-financial assets, and sales of non-financial assets. Non-financial assets are durable goods intended to be employed in the production process for longer than a year. In GFS, *expenditure on non-financial assets (net)* (ETF 221) is further classified into:

- *Purchases of new non-financial assets* (ETF 2211, NFAC, SDC);
- *Purchases of second-hand non-financial assets* (ETF 2212, NFAC, SDC); and

- *Sales of non-financial assets* (ETF 2213, NFAC, SDC).

Purchases of new non-financial assets (ETF 2211, NFAC, SDC)

12.32 *Purchases of new non-financial assets* (ETF 2211, NFAC, SDC) records the value of cash purchases of new non-financial assets. Non-financial assets are economic assets other than financial assets, and the main categories are produced assets (such as fixed assets, inventories, and valuables) and non-produced assets (such as natural resources, contract, leases and licenses, and goodwill and marketing assets). Included is the purchase of mineral deposits, timber tracts and similar tangible assets. Also included in this category is the purchase of intangible assets such as patents and copyrights. This category also includes cash paid for non-financial assets constructed on own account, valued at cost of materials, and capitalised salaries and wages, and reimbursements received by public authorities for amounts spent on capital works while acting as an agent for other government and private bodies. Assets acquired under finance lease arrangements are excluded from this category. Further information on non-financial assets can be found in paragraphs 8.110 to 8.201 and Chapter 10 of this manual.

Purchases of second-hand non-financial assets (ETF 2212, NFAC, SDC)

12.33 *Purchases of second-hand non-financial assets* (ETF 2212, NFAC, SDC) records the value of cash purchases of second-hand non-financial assets during the reporting period. Excluded are second-hand assets imported into the country for the first time which are regarded as new for classification purposes. Also excluded are assets acquired under finance lease arrangements. Further information on non-financial assets can be found in paragraphs 8.110 to 8.201 and Chapter 10 of this manual.

Sales of non-financial assets (ETF 2213, NFAC, SDC)

12.34 *Sales of non-financial assets* (ETF 2213, NFAC, SDC) records the value of cash sales of non-financial assets during the reporting period. This refers to sales of non-financial assets, and relates mainly to the disposal of previously rented dwellings, non-residential buildings, and used plant and equipment. It also refers to the sale of land (including the sale of residential leases in the ACT). The sale of land and buildings as a package is treated as sales of non-financial assets unless a separate value can be determined for the land component. It also refers to the outright sales of intangible assets. Further information on non-financial assets can be found in paragraphs 8.110 to 8.201 and Chapter 10 of this manual.

Cash flows from transactions in financial assets for policy purposes (ETF 23)

12.35 *Cash flows from transactions in financial assets for policy purposes* (ETF 23) refers to cash receipts from the repayment and liquidation of investments in financial assets for policy purposes, less cash payments for acquiring financial assets for policy purposes. Acquisitions of financial assets for policy purposes are distinguished from investments by the underlying government motivation for acquiring the assets. Where assets are acquired for the purpose of implementing or promoting government policy (e.g. loans to assist industry development), the acquisition of the assets is treated as being for policy purposes. Acquisition of financial assets for policy purposes includes government policies encouraging the development of certain industries or assisting citizens affected by natural disaster. In GFS, cash flows from investments in financial assets for policy purposes are further classified into:

- *Advances paid (net)* (ETF 231); and
- *Equity acquisitions, disposals and sale of equity (net)* (ETF 232).

Advances paid (net) (ETF 231)

12.36 *Advances paid (net)* (ETF 231, SDC) records the net value of advances paid by public sector units for policy purposes. Advances are the creation of financial assets (i.e. an increase in the indebtedness to public sector units) with the aim of funding particular enterprise, household or government activities. The repayments of such advances are netted off advances to give net advances. Advances are distinguished from other financial assets (e.g. investments) in that advances are motivated by public policy purposes while investments are motivated by liquidity management purposes and the need to earn a return. In GFS, advances paid (net) are further classified into:

- *Advances paid - concessional loans* (ETF 2311, SDC);
- *Advances paid other than concessional loans* (ETF 2312, SDC);and
- *Repayments of advances* (ETF 2313, SDC).

Advances paid - concessional loans (ETF 2311, SDC)

12.37 *Advances - concessional loans* (ETF 2311, SDC) records the value of advances paid in the form of concessional loans during the reporting period. Concessional loans are loans with contractual interest rates intentionally set below the market interest rate that would otherwise apply. Further information on advances in the form of concessional loans can be found in paragraphs 8.83 to 8.84 and Chapter 13 Part B of this manual.

Advances paid other than concessional loans (ETF 2312, SDC)

12.38 *Advances other than concessional loans* (ETF 2312, SDC) records the value of payments of advances other than concessional loans during the reporting period. This category includes advances to purchasers of assets sold to private enterprises, advances from one level of government to another and advances between units at the same level of government (e.g. general government to PNFCs). Further information on advances other than concessional loans can be found in paragraphs 8.85 to 8.87 and Chapter 13 Part B of this manual.

Repayments of advances (ETF 2313, SDC)

12.39 *Repayments of advances* (ETF 2313, SDC) records the value of repayments in cash of advances paid for policy purposes. Repayments of advances refer to repayments of advances made by public authorities to private enterprises, persons and non-profit institutions, foreign governments and organisations, and other public authorities. This category excludes amounts on-passed by public enterprises to their parent governments from the liquidation of assets, capital restructuring, etc. Also excluded are proceeds received by government from sales to the private sector of some or all equity in public enterprises.

Equity acquisitions, disposals and sale of equity (net) (ETF 232)

12.40 *Equity acquisitions, disposals and sale of equity (net)* (ETF 232) records the net value of the acquisition and disposal of shares and other equity in public enterprises (note that the net value of the acquisition and disposal of shares and other equity in private enterprises is recorded as *increase in investments* (ETF 2411, SDC). Disposal of financial assets acquired for policy purposes includes proceeds from sales of equity in public corporations, including privatisations and sale of subsidiaries by public corporations. In GFS, equity acquisitions, disposals and sale of equity (net) are further classified into:

- *Equity acquisitions* (ETF 2321, SDC); and
- *Equity disposals and sale of equity* (ETF 2322, SDC).

Equity acquisitions (ETF 2321, SDC)

12.41 *Equity acquisitions* (ETF 2321, SDC) records the value of equity acquisitions in cash. Equity acquisitions refer to acquisitions of shares and other equity in public and private enterprises. Further information on equity can be found in paragraphs 8.77 and 8.78 of this manual.

Equity disposals and sale of equity (ETF 2322, SDC)

12.42 *Equity disposals and sale of equity* (ETF 2322, SDC) records the value of equity disposals and the sale of equity in cash. This consists of proceeds received from disposals of some or all equity in public and private enterprises. It includes proceeds received by general government from sales of public enterprises. It also includes proceeds received by public enterprises from sales of subsidiary public enterprises. Further information on equity can be found in paragraphs 8.77 and 8.78 of this manual.

Cash flows from investments in financial assets for liquidity management purposes (ETF 24 and ETF 2411)

12.43 *Cash flows from investments in financial assets for liquidity management purposes* (ETF 24) refers to cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return. Where the assets are acquired for the purposes of managing the government's cash reserves (e.g. investment in shares with the aim of maximising returns), then the acquisition is considered as arising for liquidity management purposes. In GFS, *cash flows from investments in financial assets for liquidity management purposes* (ETF 24) is further classified into *increase in investments* (ETF 241). Furthermore *increase in investments* (ETF 241) is classified into *increase in investments* (ETF 2411, SDC)

12.44 *Increase in investments* (ETF 2411, SDC) records the value of increases in investments in cash. Investments are financial assets for the purpose of earning a return and managing liquidity. This makes them distinct from advances which are motivated by specific policy objectives. Also includes investments in private corporations for the purpose of earning a return. Investments included in this category are generally long term assets.

Cash flows from financing activities (ETF 25)

12.45 *Cash flows from financing activities* (ETF 25) refers to cash receipts from borrowing by public sector units less cash repayments, or redemption of such borrowing in the past. Cash flows from other financing activities does not include the increase in liability or borrowing related to the acquisition of a finance lease or similar arrangement, because no cash flows have actually occurred. When cash flows associated with a finance lease or similar arrangement do occur they are reflected in the cash flow statement for that period. The reduction in liability from subsequent lease repayments is split into a principal and an interest component. Repayments of lease principal are included here. Interest repayments in cash are classified as cash flows from operating activities. In GFS, cash flows from other financing activities are further classified into:

- *Advances received (net)* (ETF 251);
- *Borrowing (net)* (ETF 252);
- *Deposits received* (ETF 253); and
- *Other financing (net)* (ETF 259).

Advances received (net) (ETF 251)

12.46 *Advances received (net)* (ETF 251) records the net value of cash advances received. Advances may be received by public sector units from other public sector units, for example from one level of government to another and between units at the same level of government (e.g. general government to public corporations). Advances can also be received from foreign governments and organisations, such as the International Bank for Reconstruction and Development and the International Development Association. In GFS, cash flows from advances received (net) are further classified into:

- *Advances received - concessional loans* (ETF 2511, SDC);
- *Advances received other than concessional loans* (ETF 2512, SDC); and
- *Advances repaid* (ETF 2513, SDC).

Advances received - concessional loans (ETF 2511, SDC)

12.47 *Advances - concessional loans* (ETF 2511, SDC) records the value of advances received in the form of concessional loans. Concessional loans are loans with contractual interest rates intentionally set below the market interest rate that would otherwise apply. Further information on advances in the form of concessional loans can be found in paragraphs 8.83 to 8.84 and Chapter 13 Part B of this manual.

Advances received other than concessional loans (ETF 2512, SDC)

12.48 *Advances other than concessional loans* (ETF 2512, SDC) records the value of advances received from sources other than concessional loans. This includes advances to purchasers of assets sold to private enterprises, advances from one level of government to another and advances between units at the same level of government (e.g. general government to PNFCs). Further information on advances other than concessional loans can be found in paragraphs 8.85 to 8.87 and Chapter 13 Part B of this manual

Advances repaid (ETF 2513, SDC)

12.49 *Advances repaid* (ETF 2513, SDC) records the value of repayments of advances made by public authorities to private enterprises, persons and non-profit institutions, foreign governments and organisations, and other public authorities. Excluded are amounts on-passed by public enterprises to their parent governments from the liquidation of assets, capital restructuring, etc. Further information on advances can be found in Chapter 8 of this manual.

Borrowing (net) (ETF 252 and ETF 2521, SDC)

12.50 *Borrowing (net)* (ETF 252 and ETF 2521, SDC) records the net borrowing by public authorities from public and private bodies and individuals within Australia and from abroad. Borrowing is the creation of liabilities through, for example, sale of bonds and bills in the capital market, raising loans through direct agreements with lenders or issuing shares and other equity (public corporations only). Included in this category is borrowing from other government units and receipt of deposits. Also included are borrowing from the International Bank for Reconstruction and Development, borrowing under credit arrangements with foreign governments and authorities, and the issue of stock and bonds abroad. Excluded from this category is the receipt of advances from other government units (these transactions are classified to *advances other than concessional loans* (ETF 2512, SDC)).

Deposits received (ETF 253)

12.51 *Deposits received* (ETF 253) refers to cash flows from the receipt of deposits. Deposits include cash held in public accounts by treasuries on behalf of other government units (e.g. public non-financial corporations) that operate through a trust account held in the public accounts. Deposits lodged by public non-financial corporations and other public sector units with Central Borrowing Authorities (CBAs) are included, as are deposits lodged by private sector entities with public financial corporations. In GFS, cash flows from deposits received are classified into *increase in deposits received* (ETF 2531, SDC).

12.52 *Increase in deposits received* (ETF 2531, SDC) records the value of increases in deposits received. Increases in deposits refer to the net increase in cash held by a public sector unit as a result of a net change to its liabilities generated by taking deposits from a private body or other public sector unit. Included in the category is cash held in public accounts by treasuries on behalf of other government units, e.g. PNFCs which operate through a trust account held in the public accounts. It also includes deposits lodged by PNFCs and other public sector units with Central Borrowing Authorities (CBAs) and by private sector entities with PFCs. Further information on deposits can be found in paragraph 8.59 of this manual.

Other financing (net) (ETF 259)

12.53 *Other financing (net)* (ETF 259) records cash flows received by government from any other type of financing activities. In GFS, cash flows from other financing are classified as *other financing not elsewhere classified (net)* (ETF 2599, SDC).

12.54 *Other financing not elsewhere classified (net)* (ETF 2599, SDC) records the cash value of other financing by public sector units that are not elsewhere classified.

Increase / (decrease) in cash held (ETF 26, ETF 261 and ETF 2611, SDC)

12.55 *Increase / (decrease) in cash held* (ETF 26, ETF 261 and ETF 2611, SDC) is an aggregate balancing item in GFS, and is calculated as follows:

Cash inflows from operating activities	+	**Cash flows from investment in non-financial assets**	+	**Cash flows from investments in financial assets for policy purposes**	+	**Cash flows from investments in financial assets for liquidity management purposes**	+	**Cash flows from other financing activities**	=	**Increase / decrease in cash held**

12.56 *Increase / (decrease) in cash held* (ETF 26, ETF 261 and ETF 2611, SDC) refers to increases and decreases in the stock of cash on hand and cash equivalents held during the accounting period. Cash on hand refers to notes and coins held, and funds held in the form of an account with financial institutions, other government authorities, etc., which are recoverable (or transferable) on demand or on relatively short notice. Cash equivalents refer to highly liquid investments which are readily convertible to cash on hand at the investor's option. Included in this category are increases in cash and bank balances, funds lodged with treasuries or Central Borrowing Authorities (CBAs), balances at call, and foreign cash and deposits. This classification item also includes funds invested by public authorities for a fixed period of time (short term). Further information on cash can be found in paragraphs 8.58 to 8.62 of this manual.

CHAPTER 13 - TREATMENT OF SELECTED ITEMS

PART A - INTRODUCTION

13.1 This chapter examines specific treatments for certain items that appear in the GFS statement of operations and the GFS balance sheet. The treatment of the following items are described in this chapter:

- Part B - The treatment of debt in Australian GFS;
- Part C - The treatment of contingent liabilities;
- Part D - The treatment of insurance and standardised guarantees;
- Part E - The treatment of public-private partnerships (PPPs);
- Part F - The treatment of major improvements to assets versus maintenance and repairs;
- Part G - The treatment of research and development;
- Part H - The treatment of contracts, leases and licences in GFS;
- Part I - The treatment of superannuation in GFS;
- Part J - The difference between government taxes and government fees for services;
- Part K - The treatment of expenditure versus expense in GFS;
- Part L - The treatment of tax refunds and tax credits in GFS;
- Part M - The treatment of taxes that share characteristics with *taxes on property* (ETF 111, TC 3) but should be classified elsewhere;
- Part N - The treatment of rent in GFS;
- Part O - The treatment of government payments to NPIs and public corporations;
- Part P - The boundary between use of goods and services and transfers;
- Part Q - The boundary between use of goods and services and employee expenses;
- Part R - The boundary between use of goods and services and the acquisition of non-financial assets; and
- Part S - Recording the production of non-financial produced assets over two or more accounting periods.

PART B - THE TREATMENT OF DEBT IN AUSTRALIAN GFS

13.2 Debt is defined as liabilities payable to creditors within the life of the accounting entity. The non-debt liabilities (under this definition) can therefore be described as equity. Paragraph 7.165 of the IMF GFSM 2014 describes equity as consisting of all instruments and records that acknowledge claims on the residual value of a corporation or quasi-corporation, after the claims of all creditors have been met. Therefore, all liabilities that rank before equity upon liquidation are payable, and are therefore considered to be debt.

13.3 Public sector debt is defined as the level of debt liabilities owed by a government to its creditors. Gross public sector debt consists of all liabilities that are debt instruments. It is described as the stock position in financial claims that require payment(s) of interest and / or principal by the debtor to the creditor at a date (or dates) in the future. Net public sector debt is described as gross debt minus the stock position in financial assets corresponding to debt instruments.

Valuation of debt

13.4 The Australian GFS records all financial instruments on a gross basis at their market value using the creditor approach - see Chapter 8 of this manual for the definitions. This is because the market value and creditor approach is considered to be the best reflection of the market reality in terms of valuing a financial instrument and the interest that accrues over its life. The valuation of debt is also consistent with the commercial accounting principle of fair valuation.

13.5 The Australian GFS method for the valuation of debt deviates from the international approach, which is to record the nominal value of debt. The three valuation principles produce different results when used for valuation purposes, and are defined as follows:

- Market value is conceptually equal to the required future payments of principal and contractual interest discounted at the existing market yield interest rate.
- Nominal value is conceptually equal to the required future payments of principal and interest discounted at the contractual interest rate.
- Face value is the undiscounted amount of principal to be repaid.

13.6 The essential difference between market and nominal valuation is the use of current yield instead of contractual interest rate(s) as the discount rate(s) applicable. The use of historical (contractual) interest rates under the nominal value to determine current valuation is not supported by the ABS. The ABS applies the market valuation principle under the creditor approach in all circumstances in macroeconomic statistics. It should be noted that for consistency, valuation of debt at current market values requires measurement of interest payments and receipts at current market yield, not contractual rates. This is a departure from the international standards, but provides a more realistic measure of debt for Australia and promotes coherence within the Australian national accounts.

Debt instruments

13.7 Both the IMF GFSM 2014 and the 2008 SNA use a common definition and classification of financial instruments. Note that monetary gold is a contract restricted to central banks and for which asset positions exist without a counterpart liability, and SDRs are contracts between the IMF and national governments. Table 13.1 below shows financial instruments as they are presented in Australian GFS (AGFS15).

Table 13.1 - Financial instruments in the IMF GFSM 2014 and AGFS15

Financial Instruments IMF GFSM 2014	Financial Instruments AGFS15
Monetary gold Currency and deposits	Monetary gold (bullion) (ETF 8111, FALC 113, SDC) Monetary gold (allocated and unallocated) (ETF 8111, FALC 114, SDC) Cash and deposits (ETF 8211, FALC 211, SDC)
Special Drawing Rights (SDRs)	Special Drawing Rights (ETF 8111 FALC 112, SDC) (ETF 8211, FALC 212, SDC)
Currency and deposits	Cash and deposits (ETF 8111, FALC 111, SDC) (ETF 8211, FALC 211, SDC)
Debt securities	Debt securities (ETF 8111, FALC 121, SDC) (ETF 8211, FALC 221, SDC)
Financial derivatives	Financial derivatives (ETF 8111, FALC 122, SDC) (ETF 8211, FALC 222, SDC)
Employee stock options	Employee stock options (ETF 8111, FALC 123, SDC) (ETF 8211, FALC 223, SDC)
Equity	Equity including contributed capital (ETF 8111, FALC 124, SDC) (ETF 8211, FALC 224, SDC)
Investment fund shares or units	Investment fund shares or units (ETF 8111, FALC 125, SDC) (ETF 8211, FALC 225, SDC)
Loans	Financial leases (ETF 8211, FALC 131, SDC) (ETF 8211, FALC 231, SDC)
Loans	Advances - concessional loans (ETF 8111, FALC 132, SDC) (ETF 8211, FALC 232, SDC) Advances other than concessional loans (ETF 8111, FALC 133, SDC) (ETF 8211, FALC 233, SDC)
Loans	Other loans and placements not elsewhere classified (ETF 8111, FALC 139, SDC (ETF 8211, FALC 239, SDC)
Non-life insurance technical reserves	Non-life insurance technical reserves (ETF 8111, FALC 141, SDC) (ETF 8211, FALC 241, SDC)

Life insurance and annuities and entitlements	Life insurance and annuities and entitlements (ETF 8111, FALC 142, SDC) (ETF 8211, FALC 242, SDC)
Pension entitlements	Provisions for defined benefit superannuation (ETF 8111, FALC 143, SDC) (ETF 8211, FALC 243, SDC)
Claims of pension funds on pension manager	Claims of superannuation funds on superannuation manager (ETF 8111, FALC 144, SDC) (ETF 8211, FALC 244, SDC)
Provisions for calls under standardised guarantee schemes	Provisions for calls under standardised guarantee schemes (ETF 8111, FALC 145, SDC (ETF 8211, FALC 245, SDC)
Miscellaneous other accounts receivable Miscellaneous other accounts payable	Provisions for employee entitlements other than superannuation (ETF 8111, FALC 151, SDC) (ETF 8211, FALC 251, SDC)
Other accounts receivable Other accounts payable	Accounts receivable (ETF 8111, FALC 152, SDC) Accounts payable (ETF 8211, FALC 252, SDC)
Miscellaneous other accounts receivable Miscellaneous other accounts payable	Other financial assets not elsewhere classified (ETF 8111, FALC 159, SDC) Other liabilities not elsewhere classified (ETF 8211, FALC 259, SDC)

13.8 In Australian GFS, both gross public sector debt and net public sector debt are derived from the data supplied by state and territory treasuries, the Department of Finance, local government units and universities.

Gross public sector debt

13.9 Gross public sector debt (often referred to as 'total debt' or 'total debt liabilities') consists of all liabilities that are debt instruments and is an economic measure that is recorded as a memorandum item to the balance sheet in GFS. It is described as the stock position in financial claims that require payment(s) of interest and / or principal by the debtor to the creditor at a date (or dates) in the future. All liabilities in the GFS balance sheet are considered to be debt instruments, except for *equity and contributed capital* (ETF 8211, FALC 224) and *investment fund shares or units* (ETF 8211, FALC 225) because they entitle the holders to dividends and a claim on the residual value of the unit. In GFS, gross debt is recorded at the current market value basis.

Financial derivatives

13.10 The Australian GFS includes financial derivatives as part of the concept of debt. The Australian GFS differs from the international standard and recognises financial derivatives as regular financial instruments, and therefore as liabilities. In the IMF GFSM 2014, financial derivatives are excluded from the concept of debt because interest does not accrue on.

13.11 A financial derivative is a financial instrument that is linked to another specific financial instrument, or indicator, or commodity, and through which specific financial risks (such as interest rate risk, foreign exchange risk, equity and commodity price risks, credit risk, and so on) can be traded in their own right in financial markets. Paragraph 7.204 of the IMF GFSM 2014 describes financial derivatives as financial instruments where the underlying contracts involve the transfer of risk.

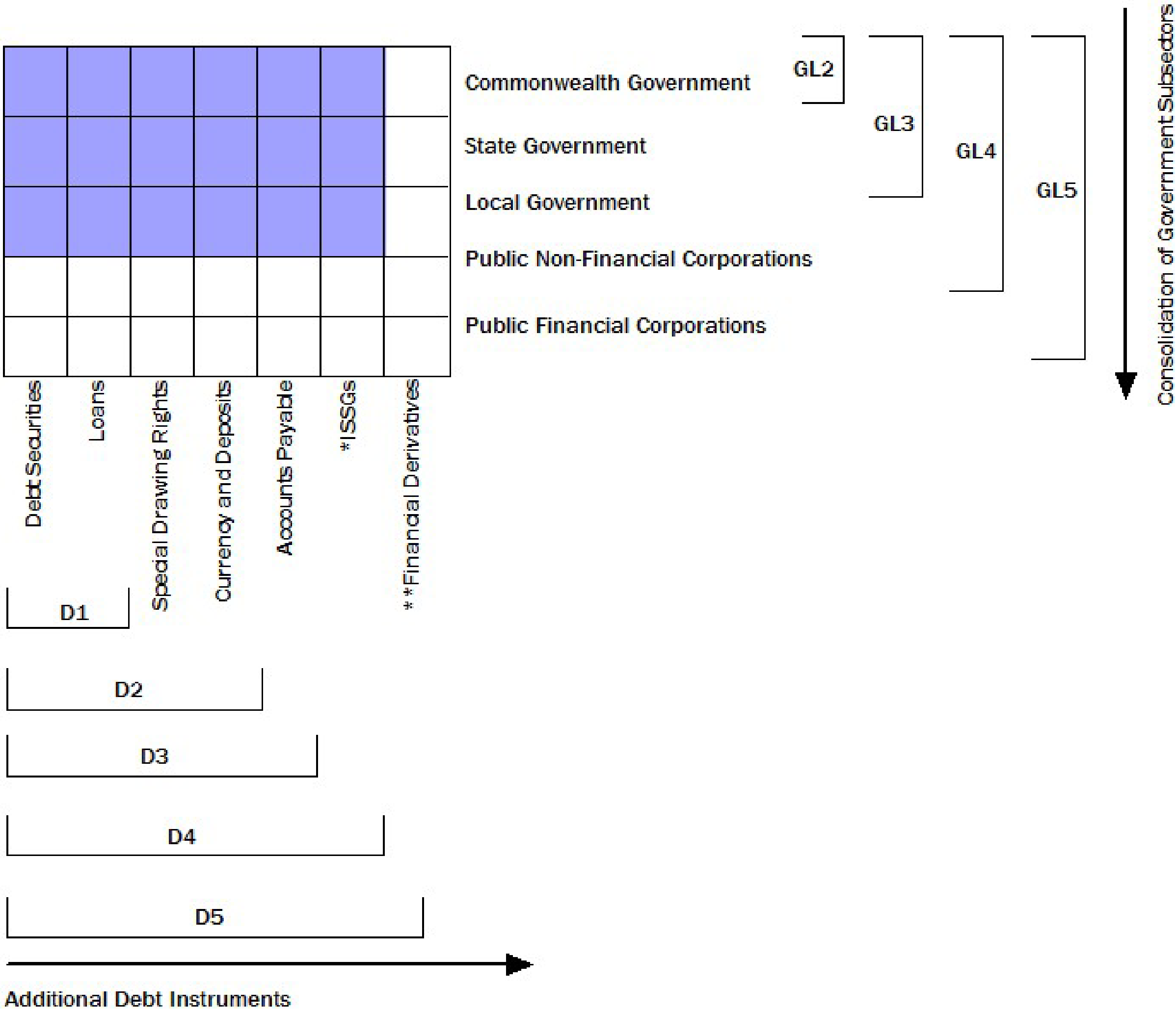
13.12 There are two broad types of financial derivatives; options and forward-type contracts. Paragraphs 7.209 and 7.212 of the IMF GFSM 2014 state that in an option contract, the purchaser acquires from the seller a right to buy or sell (depending on whether the option is a call (buy) or a put (sell)) a specified underlying item at a strike price on or before a specified date. A forward-type contract is an unconditional contract by which two counter-parties agree to exchange a specified quantity of an underlying item (real or financial) at an agreed-on contract price (the strike price) on a specified date.

Presentation of debt data in Australian GFS

13.13 To provide reliable and comprehensive statistical data on public sector debt for fiscal policy makers, debt is presented on a gross basis, by type of financial instrument and level of government subsector in GFS. The Australian GFS follows the presentation of gross debt based on the IMF staff discussion note *What Lies Beneath: The Statistical Definition of Public Sector Debt , IMF Staff Discussion Note. IMF July 27, 2012*.

This shows debt reported as a matrix, with widening debt instrument coverage on one axis (D1 to D5 and beyond), and widening institutional coverage on the other axis (GL2 to GL5). Note that the GL2 level of government is used as the starting point for Australia's level of government in the IMF debt grid. This is because in the IMF staff discussion note, the GL1 level of government represents the budgetary central government only, while the GL2 level of government incorporates the budgetary central government, the extra-budgetary central government and the social security fund levels of government. For the purpose of the IMF debt grid, the level of government that best represents Australia's central government is the GL2 level (bearing in mind that there is no separate social security fund sector in Australia) - see Diagram 13.1 below.

Diagram 13.1 - Presentation of gross public sector debt by type of debt instrument and level of government subsector



*Insurance, superannuation and standardised guarantee schemes.
**Financial derivatives are excluded from the concept of debt in the IMF GFSM 2014.
***Shaded area represents the international headline measure of gross debt.

Adapted from *What Lies Beneath: The Statistical Definition of Public Sector Debt* , IMF Staff Discussion Note. IMF July 27, 2012.
http://www.imf.org/external/pubs/ft/sdn/2012/sdn1209.pdf

13.14 The types of debt instruments recognised as part of the presentation of gross public sector debt in Australian GFS are defined in Table 13.2 below.

Table 13.2 - Presentation of gross public sector debt by type of debt instrument

Type of Debt Instrument	Debt Code
Debt securities - Negotiable financial instruments serving as evidence of debt and normally include a schedule for coupons (payments). Some common forms of debt securities are bills, commercial paper, and bonds.	D1
Loans - Financial instruments created when a creditor lends funds directly to a debtor and receives a non-negotiable document as evidence of the asset.	
Special Drawing Rights (SDRs) - International reserve assets created by the International Monetary Fund (IMF) and allocated to its members to supplement existing reserve assets.	D2
Currency and deposits - Notes and coins that are of fixed nominal values and are issued or authorised by the central bank or government are known as currency. Although all government subsectors hold currency, generally only the central bank issues it. Deposits are all claims, represented by evidence of deposit, on the deposit-taking corporations (including the central bank) and, in some cases, general government and other institutional units.	
Other accounts payable - Represent trade credits and advances and miscellaneous other items due to be paid or received.	D3
Insurance, pension and standardised guarantee schemes (IPSGS) - Comprise non-life insurance technical reserves, life insurance and annuities entitlements, pension entitlements, claims of pension funds on pension manager; and provisions for calls under standardised guarantee schemes. These reserves, entitlements, and provisions represent liabilities of a public sector unit as the insurer, pension fund, or issuer of standardised guarantees, and a corresponding asset of the policy holder or beneficiaries.	D4
Financial derivatives - A financial instrument that is linked to another specific financial instrument, or indicator, or commodity, and through which specific financial risks (such as interest rate risk, foreign exchange risk, equity and commodity price risks, credit risk, and so on) can be traded in their own right in financial markets. The IMF GFSM 2014 excludes financial derivatives from the concept of gross debt. In the AGFS15, financial derivatives are included in the concept of gross debt.	D5

Source: Based on 'What Lies Beneath: The Statistical Definition of Public Sector Debt ', IMF Staff Discussion Note. July 27, 2012.

13.15 The levels of government subsector recognised as part of the presentation of gross public sector debt in Australian GFS are defined in Table 13.3 below.

Table 13.3 - Presentation of gross public sector debt by level of government subsector

Level of Government Subsector	Debt Code
Central government - is a single unit of government that encompasses the fundamental activities of the national executive, legislative, and judiciary powers. The political authority of the central government extends over the entire territory of the country. The central government has the authority to impose taxes on all resident institutional units and on non-resident units engaged in economic activities within the country. Its political responsibilities include national defence, the maintenance of law and order, and relations with foreign governments. In Australia, this level of government is represented by the **general government component of the Commonwealth Government of Australia**.	GL2
State governments - Consist of state, provincial, or regional governments that are separate institutional units plus those non-market NPIs that are controlled by state, provincial, or regional governments. State governments are institutional units exercising some of the functions of government at a level below that of central government and above that of the governmental institutional units existing at a local level.	GL3
Local government - Consist of local governments that are separate institutional units plus those non-market Non Profit Institutions (NPIs) that are controlled by local governments. In principle, local government units are institutional units whose fiscal, legislative, and executive authority extends over the smallest geographical areas distinguished for administrative and political purposes.	
Non-financial public corporations - Consist of resident public sector institutional units that are principally engaged in the production of market goods or non-financial services.	GL4
Financial public corporations - Consist of resident public sector institutional units that are principally engaged in providing financial services on a market basis, including financial intermediation, to other institutional units.	GL5

* Universities and multi-jurisdictional units are not shown in the above table.

Source: Based on '*What Lies Beneath: The Statistical Definition of Public Sector Debt* ', IMF Staff Discussion Note. July 27, 2012.

Other aspects of debt in GFS

13.16 The rest of this section discusses other aspects of debt in GFS including:

- Non-performing loans;
- Concessional loans;
- Debt reorganisation in the context of debt forgiveness, debt rescheduling, debt conversion, and debt assumption;
- Bailout operations; and
- Capital injections.

Non-performing loans

13.17 The current market value of non-performing loans is recorded as part of *memorandum items balance sheet* (ETF 71) and is classified as *non-performing loans at current market value* (ETF 7131). Memorandum items in GFS differ to those of commercial accounting in that they are compulsory in GFS rather than optional. In order to facilitate and enhance good decision making, it is beneficial to record information on non-performing loans as well as loans whose principal and interest payments are being met. Paragraph 7.262 of the IMF GFSM 2014 defines non-performing loans as those for which:

- Payments of principal and interest are past due by three months (90 days) or more; or
- Interest payments equal to three months (90 days) interest or more have been capitalised (reinvested to the principal amount) or payment has been delayed by agreement; or
- Evidence exists to reclassify a loan as non-performing even in the absence of a 90 day past-due payment, such as when the debtor files for bankruptcy.

Debt concessionality

13.18 Concessional loans occur when units lend to other units and the contractual interest rate or some other condition is intentionally set below the market interest rate or with a less onerous condition than would otherwise apply. Paragraph 3.123 of the IMF GFSM 2014 notes that while there is no precise definition of concessional loans in macroeconomic statistics, it is generally accepted that they are loans that occur when public sector units lend to other units and the contractual interest rate is intentionally set below the market interest rate that would otherwise apply. The degree of concessionality can also be enhanced with grace periods and frequencies of payments and maturity periods favourable to the debtor.

13.19 Government units may acquire or dispose of financial assets on a non-market basis as an element of their fiscal policy rather than as a part of their liquidity management. For example, they may lend money at a below-market (also known as concessional) interest rate, or purchase shares of a corporation at an inflated price. The current market value of stocks of concessional loans are recorded as part of financial assets and liabilities in the GFS balance sheet under *advances - concessional loans* (ETF 8111, FALC 132 and ETF 8211, FALC 232).

13.20 The nature of concessional loans means that they effectively include an implied transfer made up of the difference between the market (concessional) value of the loan and the current market value of similar loans without the concessionality. Paragraph 7.246 of the IMF GFSM 2014 recommends that the value of the implied transfer is recorded as a memorandum item. In GFS, the implied transfer is recorded under *implicit transfers receivable from concessional loans* (ETF 7111) or *implicit transfers payable due to concessional loans* (ETF 7112) in the *supporting information* (ETF 7).

Debt reorganisation

13.21 Debt reorganisation (also referred to as debt restructuring in GFS) is defined as an arrangement involving both the creditor and the debtor (and sometimes third parties) that alters the terms established for servicing an existing debt. Paragraph A3.3 of the IMF GFSM 2014 indicates that debt reorganisation usually relieves the debtor from the original terms and conditions of their debt obligations. Debtors of the government seek debt reorganisation in response to liquidity constraints where the debtor does not have the cash to meet debt service payments due, or sustainability issues where the debtor is unlikely to be able to meet its debt obligations in the medium term. Government can be involved in debt reorganisation as either debtor, creditor, or guarantor.

13.22 Paragraph A3.4 of the IMF GFSM 2014 warns that a simple failure by a debtor to honour its debt obligations (e.g., default) does not constitute debt reorganisation because it does not involve an arrangement between the creditor and the debtor. Similarly, a creditor can reduce the value of its debt claims on the debtor in its own accounts through debt write-off. These are unilateral actions that arise (for example) when the creditor regards a claim as unrecoverable (perhaps because of bankruptcy of the debtor), and as a result no longer carries the claim on its balance sheet. Again, this is not considered debt reorganisation in GFS.

13.23 There are four main types of debt reorganisation recognised in GFS. A debt reorganisation agreement between a debtor and creditor may include elements of more than one of the types mentioned below. Paragraph A3.5 of the IMF GFSM 2014 lists the types of debt reorganisation as:

- Debt forgiveness - this is a reduction in the amount of a debt obligation, or the extinguishing of a debt by a creditor via a contractual agreement with the debtor.
- Debt rescheduling (also known as refinancing or debt exchange) - this is a change in the terms and conditions of the amount owed, which may result in a reduction in debt burden in present value terms.
- Debt conversion and debt prepayment (also known as debt buybacks for cash) - this is where a creditor exchanges a debt claim on a debtor for something of economic value other than another debt claim. Examples of debt conversion are debt-for-equity swaps, debt-for-real-estate swaps, or debt-for-development swaps.
- Debt assumption - this is when a third party is also involved.

Debt forgiveness

13.24 Debt forgiveness (or debt cancellation) is defined as the voluntary cancellation of all or part of a debt obligation within a contractual arrangement between a creditor and a debtor. Paragraph A3.7 of the IMF GFSM 2014 states that with debt forgiveness, there is a mutual agreement between the parties involved to cancel the debt, and an intention to convey a benefit. In contrast, with debt write-off there is no such agreement or intention, but rather a unilateral recognition by the creditor that the amount is unlikely to be collected.

13.25 Paragraph A3.7 of the IMF GFSM 2014 further states that debt forgiven may include all or part of the principal outstanding, inclusive of any accrued interest. Debt forgiveness includes forgiveness of some (or all) of the principal amount of a credit-linked note arising from an event affecting the entity on which the embedded credit derivative was written. Also included is forgiveness of principal that arises when the debt contract stipulates that the debt will be forgiven if a specified event occurs, such as forgiveness in the case of a type of catastrophe. Debt forgiveness does not arise from the cancellation of future interest that has not yet accrued. In such a case the revised contract would be treated as outlined in 13.30 to 13.39 below.

13.26 In GFS, debt forgiveness is recorded as a capital grant or transfer from the creditor to the debtor, which extinguishes the financial claim and the corresponding debt liability. Paragraph A3.8 of the IMF GFSM 2014 states that a government or public sector unit may be involved in debt forgiveness as either a creditor or a debtor. Current market prices are the basis for valuing debt forgiveness.

Bad debts written off (not previously allowed for)

13.27 Bad debts written off (not previously allowed for) describes bad debts that have been directly written off without previous provision. Ideally, bad debts written off need to be distinguished between those which are written off by some form of mutual agreement (as a type of debt forgiveness) between debtor and creditor, and those written off unilaterally since their treatment in the macroeconomic accounts differ. In the macoreconomic accounts, bad debts written off by mutual agreement are treated as *revenue from capital grants* (ETF 1151) or *capital grant expenses* (ETF 1261), whereas those written off unilaterally are treated as *other changes in the volume of financial assets* (ETF 5211, FALC 139) or *other changes in the volume of liabilities* (ETF 5213, FALC 239) (for further information, see paragraph 11.137 of this manual). The distinction between bad debts written off by mutual agreement or unilaterally has not been made in GFS, as data sourced from financial statements cannot be readily split in this manner. Government entities operating on a non-commercial basis (such as government aid agencies), may not provide for bad debts and may directly write them off by mutual agreement.

Provisions for doubtful debts

13.28 In GFS, provisions are not recognised other than those relating to employee expenses. In the AGFSM 2015, *provisions for doubtful debts* (ETF 73) are recorded as part of the *supporting information* (ETF 7) to enable the ABS to derive the face value of financial assets and liabilities for international statistical reporting. This is because the ABS values financial assets and liabilities at the current market value in macroeconomic statistics, while the IMF GFSM 2014 requires these to be reported at the nominal value. The Australian GFS diverges from the IMF GFSM 2014 in the valuation of all government assets and liabilities at the current market value using the creditor approach.

Allowances for doubtful debts

13.29 Allowances for doubtful debts are not recognised in macroeconomic statistics and are excluded from GFS output. Accounts receivable in the GFS balance sheet are recorded gross of such allowances. Bad debts written off by mutual agreement are classified as *revenue from capital grants* (ETF 1151) or *capital grant expenses* (ETF 1261), whereas those written off on a unilateral basis are treated as *other changes in the volume of financial assets* (ETF 5211, FALC 139) or *other changes in the volume of liabilities* (ETF 5213, FALC 239) (for further information, see Chapter 11 of this manual).

Debt rescheduling and refinancing

13.30 Debt rescheduling and refinancing involve a change in an existing debt contract and its replacement by a new debt contract, generally with extended debt service payments. Paragraph A3.10 of the IMF GFSM 2014 states that debt rescheduling involves re-arrangements on the same type of instrument, with the same principal value and the same creditor as with the old debt, while debt refinancing involves a different debt instrument, generally at a different value, and possibly with a different creditor. If the original terms of a debt contract state that the maturity or interest rate terms (or both) change as a result of (for example) a default or decline in credit rating, then this involves a reclassification of the debt. In contrast, if the original terms of a debt contract are changed through renegotiation by the parties, then this is treated as a transaction in the repayment of the original debt and the creation of a new debt liability.

Debt rescheduling

13.31 Debt rescheduling is defined as a bilateral arrangement between the debtor and the creditor that constitutes a formal postponement of debt service payments and the application of new and generally extended debt maturities. Paragraph A3.11 of the IMF GFSM 2014 indicates that the new terms normally include one or more of the following elements: extending repayment periods, reductions in the contracted interest rate, adding or extending grace periods for the payments fixing the exchange rate at favourable levels for foreign currency debt, and rescheduling the payment of arrears, if any.

13.32 With debt rescheduling, the applicable existing debt is recorded as being repaid and a new debt instrument (or instruments) created with new terms and conditions.

13.33 A debt rescheduling transaction should be recorded at the time agreed to by both parties (the contractually agreed time), and at the value of the new debt (which, under a debt rescheduling, is the same value as that of the old debt maybe of a different value, which implies amendment of debt forgiveness). Paragraph A3.13 of the IMF GFSM 2014 indicates that if no date is set, the time at which the creditor records the change of terms is decisive. If the rescheduling of obligations due beyond the current period is linked to the fulfilment of certain conditions, entries are recorded only in the period when the specified conditions are met.

13.34 In the specific case of zero coupon securities, a reduction in the principal amount to be paid at redemption to an amount that still exceeds the principal amount outstanding at the time the arrangement becomes effective, could be classified as either an effective change in the contractual rate of interest, or a reduction in principal with the contractual rate unchanged. Paragraph A3.11 of the IMF GFSM 2014 states that such a reduction in the principal payment to be made at maturity should be recorded as debt forgiveness, or debt rescheduling if the bilateral agreement explicitly acknowledges a change in the contractual rate of interest.

Debt refinancing

13.35 Debt refinancing involves the replacement of an existing debt instrument or instruments (including any arrears) with a new debt instrument or instruments. Paragraph A3.14 of the IMF GFSM 2014 states that debt refinancing can involve the exchange of the same type of debt instrument (such as a loan for a loan), or different types of debt instruments (such as a loan for a bond). For example, a public sector unit may convert various export credit debts into a single loan, or exchange existing bonds for new bonds through exchange offers given by its creditor (rather than a change in terms and conditions).

13.36 The treatment of debt refinancing transactions is similar to that of debt rescheduling. This is because the debt being refinanced is extinguished and replaced with a new financial instrument (or instruments). Paragraph A3.15 of the IMF GFSM 2014 indicates that under this arrangement, the old debt is extinguished at the value of the new debt instrument owed to official creditors.

13.37 If the refinancing involves a direct debt exchange, such as a loan-for-bond swap, then the debtor should record a reduction in liabilities under the appropriate debt instrument and an increase in liabilities to show the creation of the new obligation. Paragraph A3.16 of the IMF GFSM 2014 recommends that the transaction be recorded at the value of the new debt (reflecting the current market value of the debt), and the difference between the value of the old and new debt instruments is recorded as a holding gain or loss.

13.38 However, if the debt is owed to official creditors and is non-marketable (for example a loan), then the old debt is extinguished at its original value with the difference in value with the new instrument recorded as debt forgiveness. Paragraph A3.16 of the IMF GFSM 2014 states that where there is no established market price for the new bond, an appropriate proxy should be used. For example, if the bond is similar to other bonds being traded, then the market price of a traded bond would be an appropriate proxy for the value of the new bond. If the debt being swapped was recently acquired by the creditor, then the acquisition price would be an appropriate proxy. Alternatively, if the interest rate on the new bond is below the prevailing interest rate, then the discounted value of the bond (using the prevailing interest rate) may serve as a proxy.

13.39 In GFS, the balance sheet records any changes in the stock position of assets and liabilities resulting from extinguishing old debt instruments and creating new debt instruments, and any subsequent valuation changes. Paragraphs A3.17 to A3.19 of the IMF GFSM 2014 recommend that if the proceeds from the new debt are used to partially pay off the old (existing) debt, then the remaining old debt should be recorded as being extinguished. A new debt instrument is then created that is equal to the value of the remaining old debt extinguished. If the terms of any new borrowings are concessional, then the creditor is seen as providing a transfer to the debtor that is equal to the difference between the concessional rate and the current market value.

Debt conversion or swap

13.40 Debt conversion (also known as a debt swap) is defined as an exchange of debt (typically at a discount) for a non-debt claim (such as equity), or for counterpart funds that can be used to finance a particular project or policy. Under this arrangement, paragraph A3.20 of the IMF GFSM 2014 states that public sector debt is extinguished and a non-debt liability is created.

13.41 A common example of debt conversion is a debt-for-equity swap. Paragraph A3.21 of the IMF GFSM 2014 indicates that often, a third party is involved in a debt-for-equity swap where they buy the claims from the creditor and receive equity in a public corporation (the debtor). Under such an arrangement, determining the value of the equity can be difficult if the equity is not actively traded on a market. If the equity is not publicly traded, then its valuation may be based on the current market value of similar publicly traded equity.

13.42 Paragraph A3.22 of the IMF GFSM 2014 describes other examples of debt conversions (or swaps) such as external debt obligations for exports (also known as 'debt-for-exports') or debt obligations for counterpart assets that are provided by a debtor to a creditor for the creditor to use for a specified purpose, such as wildlife protection, health, education, and environmental conservation (also known as 'debt-for-sustainable-development).

Debt prepayment

13.43 Debt prepayment is defined as a repurchase or early payment of debt at conditions that are agreed between the debtor and the creditor. Paragraph A3.24 of the IMF GFSM 2014 states that the debt is extinguished in return for a cash payment agreed between the debtor and the creditor. The transaction is recorded at the value of the debt prepaid. In the AGFSM 2014, the transaction will be recorded at the current market value using the creditor method.

13.44 If the debt is owed to official creditors and is non-marketable, then paragraph A3.25 of the IMF GFSM 2014 indicates that debt forgiveness may be involved if the prepayment occurs within an agreement between the parties with an intention to convey a benefit. In this situation, a capital transfer (or capital grant) from the creditor to the debtor is recorded for debt forgiveness, which reduces the value of the outstanding liability/claim.

Debt assumption

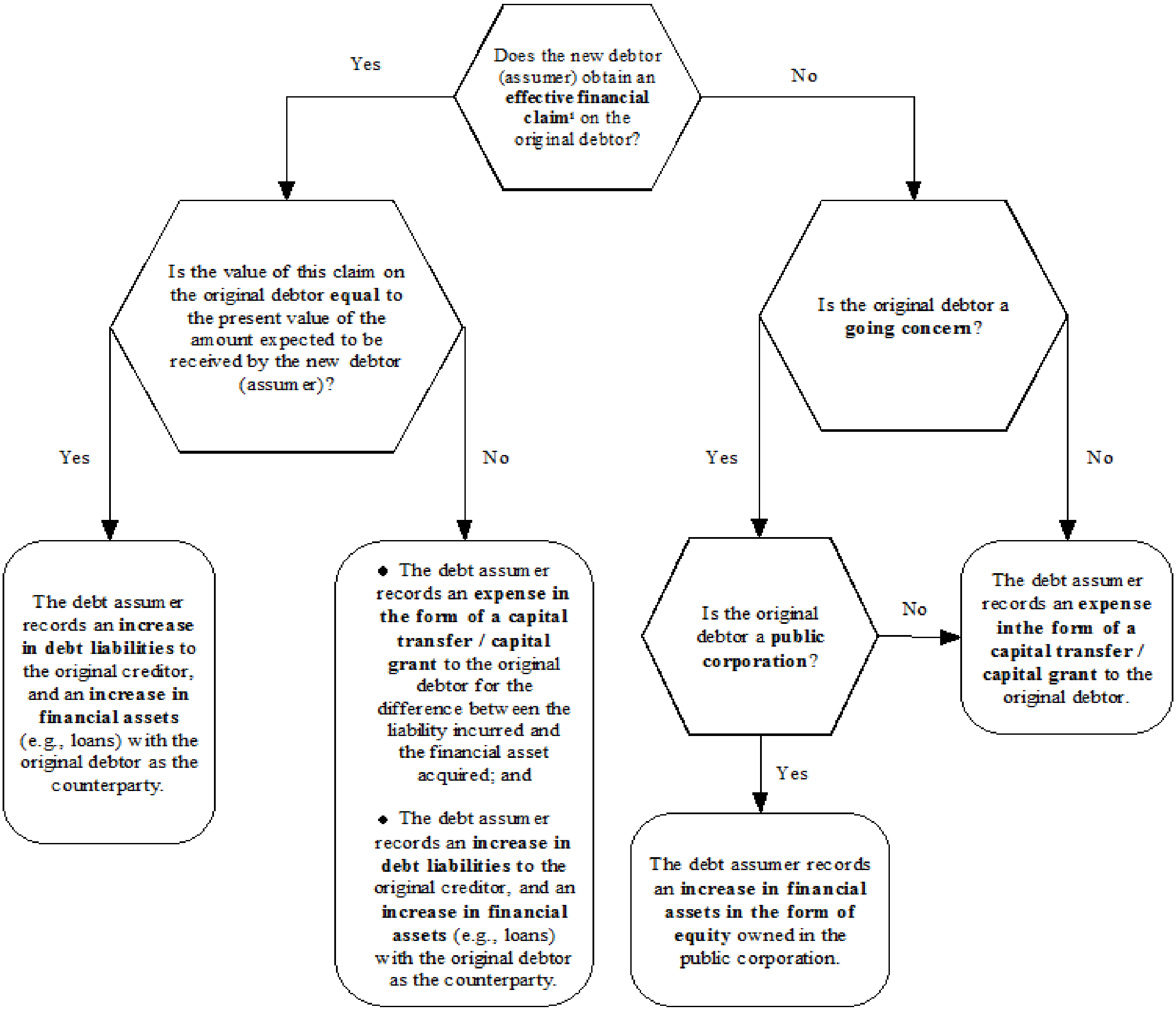
13.45 Debt assumption is defined as a trilateral agreement between a creditor, a former debtor, and a new debtor (typically a government unit), under which the new debtor assumes the former debtor’s outstanding liability to the creditor and is liable for repayment of debt. Paragraph A3.26 of the IMF GFSM 2014 states that calling a guarantee is an example of debt assumption. If the original debtor defaults on its debt obligations, then the creditor may invoke the contract conditions permitting the guarantee from the guarantor to be called. The guarantor unit must either repay the debt or assume responsibility for the debt as the primary debtor (i.e., the liability of the original debtor is extinguished). A public sector unit can be the debtor that is defaulting or the guarantor. A government can also, through agreement, offer to provide funds to pay off the debt obligation of another government unit or a private sector unit owed to a third party.

13.46 Paragraph A3.27 of the IMF GFSM 2014 indicates that the statistical treatment of debt assumption depends on (i) whether the new debtor acquires an effective financial claim on the original debtor, and (ii) if there is no effective financial claim, the relationship between the new debtor and the original debtor and whether the original debtor is bankrupt or no longer a going concern. An 'effective financial claim' is a claim that is supported by a contract between the new debtor and the original debtor, or (especially in the case of government) an agreement, with a reasonable expectation that it be honoured, for the original debtor to reimburse the new debtor. A 'going concern' is an entity in business that is operating for the foreseeable future.

13.47 Paragraph A3.27 of the IMF GFSM 2014 states that this implies three possibilities:

- The debt assumer (new debtor) acquires an effective financial claim on the original debtor. The debt assumer records an increase in debt liabilities to the original creditor, and an increase in financial assets, such as in the form of loans, with the original debtor as the counterparty. The original debtor records a decrease in the original debt liability to the creditor and an increase in liabilities (such as in the form of a loan) to the debt assumer. The value of the debt assumer's claim on the original debtor is the present value of the amount expected to be received by the assumer. If this amount is equal to the liability assumed, no further entries are required. If the amount expected to be recovered is less than the liability assumed, the debt assumer records an expense in the form of capital transfer/grant to the original debtor for the difference between the liability incurred and the financial asset acquired in the form of loans. For the debt assumer, gross debt increases by the amount of debt assumed.
- The debt assumer (new debtor) does not acquire an effective financial claim on the original debtor. This may be the case when the original debtor is bankrupt or no longer a going concern, or when the debt assumer seeks to convey a benefit to the original debtor. The debt assumer records an expense in the form of a capital transfer / capital grant to the original debtor, and an increase in debt liabilities to the original creditor. The original debtor records revenue in the form of a capital transfer / capital grant, which extinguishes the debt liability on its balance sheet. The exception to this case is when the original debtor is a public corporation that continues to be a going concern, which is discussed next.
- The debt assumer (new debtor) does not acquire an effective financial claim and the original debtor is a public corporation that continues to be a going concern. The debt assumption amounts to an increase in the equity owned by the debt assumer in the public corporation (original debtor). The debt assumer records an increase in debt liabilities to the original creditor, and an increase in financial assets in the form of equity and investment fund shares. The public corporation records a decrease in the debt liability to the original creditor, and an increase in non-debt liabilities in the form of equity and investment funds shares.

Diagram 13.2 - Decision tree for the statistical treatment of debt assumption



[1] An **effective claim** is understood to be a claim that is supported by a contract between the new debtor and the original debtor, or (especially in the case of governments) an agreement with a reasonable expectation to be honoured, that the original debtor will reimburse.
Source: Figure A3.1, International Monetary Fund Government Finance Statistics Manual, 2014.

13.48 Paragraph A3.28 of the IMF GFSM 2014 mentions a special case where debt assumption involves the transfer of non-financial assets (such as non-financial produced assets or land) from a public corporation (original debtor) to the debt assumer (new debtor). In this case, the debt assumer records an increase in debt liabilities to the original creditor and the acquisition of a non-financial asset(s). If the current market value of the non-financial asset(s) is equal to the value of the liability assumed, then no further entries are recorded. However, if there is any difference between the value of the liability assumed and the current market value of the non-financial asset(s), then a capital transfer / capital grant between the debt assumer and original debtor is recorded.

Debt payments on behalf of others

13.49 Rather than assuming a debt, a public sector unit may decide to repay that debt or make a specific payment on behalf of another institutional unit (original debtor) without a guarantee being called, or the debt being taken over. In this case, paragraph A3.30 of the IMF GFSM 2014 states that the debt should stay recorded solely on the balance sheet of the other institutional unit, which is the only legal debtor. While this activity is similar to debt assumption (because the existing debt remains with unaltered terms), debt payment on behalf of others is not considered debt reorganisation.

13.50 The treatment of debt payments on behalf of others depends on whether the public sector unit paying the debt acquires an effective financial claim on the debtor or not. Paragraph A3.31 of the IMF GFSM 2014 states:

- If the paying unit obtains an effective financial claim on the original debtor, the paying unit records an increase in financial assets (e.g., loans) and a decrease in currency and deposits. The recipient (debtor) records a decrease in the original debt liability and an increase in another liability to the paying unit. If the claim of the paying unit on the debtor is in the form of a debt instrument, the gross and net debt of the paying unit and recipient (debtor) do not change. However, if the claim of the paying unit on the debtor is in the form of a non-debt instrument (for example equity), then:
    I. for the paying unit, gross debt remains unchanged, but net debt increases (due to the reduction in its financial assets in the form of currency and deposits); and
    II. for the recipient (debtor), gross and net debt decrease (due to the reduction in the debt liability).
- If the paying unit does not obtain an effective financial claim on the original debtor, the paying unit records an expense in the form of a capital transfer / capital grant and a decrease in financial assets in the form of currency and deposits. The receiving unit (debtor) records revenue in the form of a capital transfer / capital grant and a decrease in the original debt liability.

Debt write-offs and write-downs

13.51 Debt write-offs or write-downs are defined as unilateral reductions by a creditor of the amount owed to it. The financial asset is removed from the balance sheet of the creditor but the liability remains on the balance sheet of the debtor through an *other changes in the volume of assets and liabilities* entry in the accounts. Unlike debt forgiveness (which is a mutual agreement and therefore considered to be a transaction), paragraph A3.33 of the IMF GFSM 2014 states that a debt write-off or write-down is a unilateral action, and is subsequently recorded as other changes in the volume of assets and liabilities. With debt forgiveness, the financial asset is removed from the balance sheet of the creditor and the corresponding liability is removed from the balance sheet of the debtor, and also through an *other changes in the volume of assets and liabilities* entry in the accounts.

13.52 Debt is commonly written off because the debtor goes bankrupt or is forced into liquidation. However, paragraph 10.57 of the IMF GFSM 2014 states that debt may sometimes be written off for other reasons, such as a court order. The write-off may be full or partial; partial write-offs may arise under a court order, or if the liquidation of the debtor's assets allows some of the debt to be settled.

New money facilities

13.53 To assist a debtor to overcome temporary financing difficulties, new money facilities may be agreed with the creditor to repay maturing debt obligations. Paragraphs A3.35 and A3.36 of the IMF GFSM 2014 indicate that the two debt instruments involved (the maturing debt obligation and the new money facility) are treated separately in GFS. Under this arrangement, the creditor records a reduction in the original claim on the debtor and an increase in a new claim on the debtor. Similarly, the debtor records a reduction in the original liability to the creditor and an increase in a new liability to the creditor. If the terms of the new borrowings are concessional, the creditor is seen as providing a transfer to the debtor that is equal to the difference between the concessional rate and the current market value.

Debt defeasance

13.54 Under debt defeasance, a debtor unit removes liabilities from its balance sheet by pairing them with financial assets, the income and value of which are sufficient to ensure that all debt-service payments are met. Paragraph A3.37 of the IMF GFSM 2014 states that defeasance may be carried out by placing the assets and liabilities in a separate account within the institutional unit concerned, or by transferring them to another unit. In either case, GFS does not recognise defeasance as affecting the outstanding debt of the debtor. Thus, no transactions with respect to defeasance are recorded in the GFS framework, as long as there has been no change in the legal obligations of the debtor. When the assets and liabilities are transferred to a separate account within the unit, both assets and liabilities should be reported on a gross basis. If a separate entity resident in the same economy is created to hold the assets and liabilities, that new unit should be treated as an ancillary entity and consolidated with the defeasing unit.

Debt arising from bailout operations

13.55 The term 'bailout' is used to describe a situation where a government unit provides either short-term financial assistance to a corporation in financial distress to help it survive a temporary period of financial difficulty, or a more permanent injection of financial resources to help recapitalise a corporation. Paragraph A3.42 of the IMF GFSM 2014 notes that a bailout may result in the reclassification of the assisted corporation into the public sector if the government acquires control of the corporation it is bailing out. Bailouts frequently involve highly publicised, one-time transactions and large amounts, and so they can be easily identified in the accounts.

13.56 The term 'capital injection' refers to situations where significant financial support is provided by a government unit to capitalise or recapitalise a corporation in financial distress. Paragraph A3.43 of the IMF GFSM 2014 uses the term capital injection to reflect a direct intervention that is recorded in macroeconomic statistics either as a capital transfer, a loan, an acquisition of equity, or a combination of these. Direct intervention by general government units may take various forms, for example:

- Providing recapitalisation through an injection of financial resources (capital injection) or the assumption of a failed corporation’s liabilities;
- Providing loans and / or acquiring equity in the corporations in distress (i.e., requited recapitalisation) on favourable terms, or not; or
- Purchasing assets from the financially distressed corporation at prices greater than their true market value.

13.57 There are two main issues that need to be examined when recording the effects of bailout operations for GFS purposes. The first issue relates to the correct sectorisation of the entity or unit that finances or manages the sales of assets and / or liabilities of the distressed corporation. The second issue relates to the correct statistical treatment of capital injections.

Sectorisation of units involved in a bailout operation

13.58 Assessing the sector of the units involved in a bailout operation is important for determining whether transactions, other economic flows, and stock positions (debt liabilities and other assets and liabilities) are within the general government sector or public corporations sector.

13.59 A government may create a restructuring agency (also known as a defeasance structure) in the form of a Special Purpose Entity (or other type of public body), to finance or to manage the defeasance of impaired assets or repayment of liabilities of the distressed corporation. Paragraph A3.46 of the IMF GFSM 2014 states that the sector of the restructuring agency should correctly reflect the underlying economic nature of the entity. Therefore, the sectorisation rules (as outlined in Chapter 2 of this manual) should be applied to determine whether such an entity or unit belongs as part of the general government sector or public financial corporations sector:

- If a public institutional unit is created by government solely to assume management of the assets or liabilities of the distressed corporation and is not a market producer, the unit should be classified in the general government sector because it is not involved in financial intermediation.
- If the new unit has other functions and the management of the assets or liabilities of the distressed corporation is a temporary task, then its classification as a general government unit or a public financial corporation needs to made according to the rules described in Chapter 2 of this manual.

Statistical treatment of capital injections

13.60 As mentioned in paragraph 6.86 of this manual, a capital injection refers to a situation where significant financial support is provided by a government unit to capitalise or recapitalise a corporation in financial distress. This significant financial support is recorded as a loan, a capital transfer, an acquisition of equity, or a combination of these.

13.61 When a public sector unit (as the investor unit) intervenes by means of a capital injection that is legally in the form of a loan to the corporation in distress, paragraph A3.48 of the IMF GFSM 2014 indicates that the statistical treatment depends on whether the investor unit obtains an effective financial claim on the corporation. An effective financial claim is a claim that is supported by a contract between the new debtor and the original debtor, or (especially in the case of government) an agreement, with a reasonable expectation to be honoured, that the original debtor will reimburse the new debtor.

13.62 When a public sector unit intervenes by means of a capital injection other than a loan to the corporation in distress, the statistical treatment depends on whether a realistic return can be expected on this investment or not. Paragraph A3.49 of the IMF GFSM 2014 notes that a realistic rate of return on funds is indicated by the intention to earn a rate of return that is sufficient to generate dividends or holding gains at a later date, and that is a claim on the residual value of the corporation. Under this method:

- If the public sector unit (investor unit) can expect a realistic return on the investment, the investor unit records an increase in financial assets in the form of equity and investment fund shares, and a decrease in financial assets (e.g., currency and deposits) or an increase in liabilities, depending on how the acquisition of equity is financed. The corporation in financial distress records an increase in financial assets (e.g., currency and deposits), and an increase in non-debt liabilities in the form of equity and investment fund shares.
- The portion of the investment on which no realistic return can be expected (which may be the entire investment) is treated as a capital transfer / capital grant.

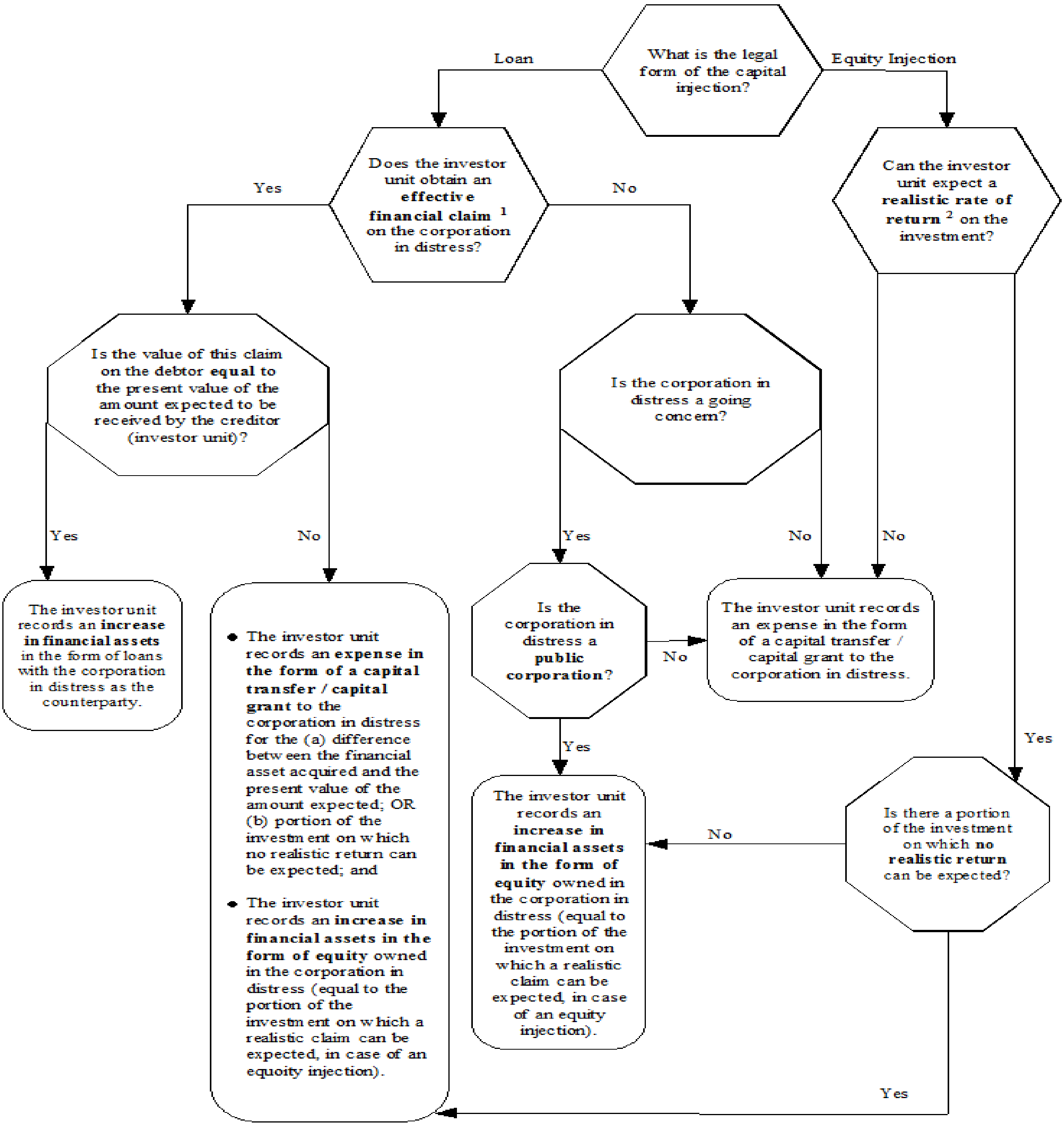
13.63 Paragraph A3.50 of the IMF GFSM 2014 states that a capital injection in the form of a capital transfer / capital grant (full or partial) is recorded when the funds are provided:

- Without receiving anything of equal value in exchange; or
- Without a reasonable expectation of a realistic rate of return; or
- To compensate for the impairment of assets or capital as a result of large operating deficits accumulated over two or more years, and exceptional losses due to factors outside the control of the enterprise.

13.64 Under this arrangement, the unit providing the assistance records an expense in the form of a capital transfer / capital grant and a decrease in financial assets (e.g., currency and deposits) or an increase in liabilities, depending how this capital transfer is financed. Paragraph A3.51 of the IMF GFSM 2014 recommends that the recipient records revenue in the form of a capital transfer / capital grant and an increase in financial assets in the form of currency and deposits.

13.65 If the government buys assets from a corporation being assisted through a capital injection, paragraph A3.52 of the IMF GFSM 2014 states that the amount paid may be more than the true market price of the assets. The purchase of assets should be recorded at the current market price, and a capital transfer / capital grant should be recorded for the difference between the market price and the actual amount paid. If government extends a guarantee as part of a bailout, the guarantees should be recorded according to whether this is a one-off guarantee or part of a standardised guarantee scheme. Diagram 13.3 below provides a decision tree for the statistical treatment of capital injections.

Diagram 13.3 - Decision tree for the statistical treatment of capital injections



[1] An **effective claim** is understood to be a claim that is supported by a contract between the new debtor and the original debtor, or (especially in the case of governments) an agreement with a reasonable expectation to be honoured, that the original debtor will reimburse.
[2] A **realistic rate of return** on funds is indicated by the intention to earn a rate of return that is sufficient to generate dividends or holding gains at a later date, and that is a claim on the residual value of the corporation.

Source: Figure A3.2, International Monetary Fund Government Finance Statistics Manual, 2014.

13.66 Paragraph A3.53 of the IMF GFSM 2014 provides further guidance for borderline cases relating to capital injections:

- If the capital injection is covering large operating deficits accumulated over two or more years or exceptional losses due to factors outside the control of the enterprise, the capital injection is recorded as a capital transfer / capital grant;
- If capital injection is made to a quasi-corporation (for the definition, see Chapter 2 of this manual) that has negative equity, the capital injection is always recorded as a capital transfer / capital grant;
- If the capital injection is undertaken for specific purposes relating to public policy in order to compensate a bank in financial distress for anticipated defaults / bad assets / losses within its balance sheet, the capital injection is recorded as a capital transfer / capital grant; unless a realistic rate of return can be expected which results in an equity investment being recorded;
- If there are private shareholders providing a significant share (in proportion to their existing share holding) of equity during the capital injection, then the capital injection is recorded as an equity investment since the assumption is that private investors would be seeking a return on their investment.

Debt of special purpose entities

13.67 Governments may establish artificial subsidiaries as Special Purpose Entities (SPEs) in the form of public corporations that sell goods or services exclusively to government, without tendering for a government contract in competition with the private sector. Paragraph A3.55 of the IMF GFSM 2014 recommends that such public corporations be classified as part of the general government sector (its parent unit).

13.68 If a government conducts fiscal activities through an entity that is resident abroad, paragraph A3.56 of the IMF GFSM 2014 states that such entities are not treated in the same way as embassies and other territorial enclaves because they operate under the laws of the host economy. When an SPE resident in one economy borrows on behalf of the government of another economy and the borrowing is for fiscal purposes, paragraph A3.57 of the IMF GFSM 2014 recommends the following statistical treatment in the accounts of that government:

- At the time of borrowing, a transaction creating a debt liability of the government to the borrowing entity is imputed equal to the amount borrowed. The counterpart entry is an increase in the government's equity in the borrowing entity.
- At the time funds (or assets acquired with the funds) are transferred to the government, a transaction for the flow of funds or assets is recorded, matched by a reduction of the government's equity in the borrowing entity by the same amount.
- At the time expenses are incurred, or assets are transferred by the borrowing entity to a third party (i.e., are not transferred to the government), a current or capital transfer between the government and the entity is imputed, with the matching entry of a reduction in the value of the government's equity.

Debt arising from securitisation

13.69 Securitisation occurs when a unit (named the originator) conveys ownership rights over financial or non-financial assets, or the right to receive specific future flows to another unit (named the securitisation unit). Paragraph A3.59 of the IMF GFSM 2014 states that in return, the securitisation unit pays an amount to the originator from its own source of financing. The securitisation unit obtains its own financing by issuing debt securities using the assets or rights to future flows transferred by the originator as collateral. When asset-backed securities are issued by a public sector unit, they form part of public sector debt.

Debt arising from off-market swaps

13.70 An off-market swap is defined as a swap contract that has a non-zero value at inception as a result of having a reference rate priced differently to current market values (that is, 'off-the-market'). Paragraph A3.68 of the IMF GFSM 20414 states that such a swap results in a lump sum being paid (usually at inception) by one party to the other. The economic nature of an off-market swap is a combination of borrowing (the lump sum) in the form of a loan, and an on-market swap (a financial derivative). Examples of swaps contracts that may involve off-market reference rates include interest rate and currency swaps.

13.71 Because the economic nature of an off-market swap is equivalent to a combination of a loan and a financial derivative, paragraph A3.69 of the IMF GFSM 2014 recommends that two stock positions are recorded in the GFS balance sheet:

- A loan which is equal to the non-zero value of the swap at inception and with a maturity date equivalent to the expiration date of the swap (the loan position is a liability of the party that receives the lump sum); and
- A financial derivative (swap) component which has a market value of zero at inception (the derivative position may appear either on the financial asset or liability side, depending on market prices on the balance sheet date).

On-lending of borrowed funds

13.72 Paragraph A3.72 of the IMF GFSM 2014 describes the on-lending of borrowed funds as occurring when a resident institutional unit (known in this case as 'A') borrowing from another institutional unit(s) (known in this case as 'B'), and then on-lending the proceeds from this borrowing to a third institutional unit(s) (known in this case as 'C'). The on-lending of borrowed funds is motivated by several factors, for example:

- Institutional unit A may be able to borrow from unit B at more favourable terms than unit C could borrow from unit B; or
- Institutional unit C's borrowing powers are limited by factors such as foreign exchange regulations; only unit A can borrow from non-residents.

13.73 The classification of the debt liability of institutional unit A to unit(s) B depends on the type of instrument(s) involved: typically, such borrowing is in the form of loans and / or debt securities. In such cases, paragraph A3.75 of the IMF GFSM 2014 recommends that institutional unit A's debt liabilities in the form of loans and/or debt securities increase (credit) as a result of the borrowing from unit(s) B, with a corresponding increase (debit) in unit A's financial assets in the form of currency and deposits. These events result in an increase in the gross debt position of unit A, but no change in its net debt position.

PART C - THE TREATMENT OF CONTINGENT LIABILITIES IN GFS

13.74 Paragraph 7.251 of the IMF GFSM 2014 defines contingent liabilities as obligations that do not arise unless a particular, discrete event(s) occurs in the future. The key difference between contingent liabilities and actual liabilities is one or more conditions must be fulfilled before a financial transaction is recorded. With contingent liabilities, there is uncertainty whether a liability will need to be recognised and the size of the payment involved. With actual liabilities, the debt is owned by the borrower and repayment is contractually certain. To manage liquidity the government needs to keep track of contingent liabilities to ensure that there are adequate reserves of funds prepared in case a guarantee is called or other event occurs. The value of explicit contingent liabilities is not included on the GFS balance sheet, but is recorded as a memorandum item in GFS. Memorandum items in GFS differ to those of commercial accounting in that they are compulsory rather than optional.

13.75 Common types of contingent liabilities are guarantees of payment by a third party, such as when a general government unit guarantees the repayment of a loan by another borrower. In this case, the liability is contingent because the guarantor (the general government unit) is only required to repay the loan if the borrower defaults. Therefore for GFS purposes, the contingent liability will not appear in the accounts of the general government unit unless, and until the guarantee is called.

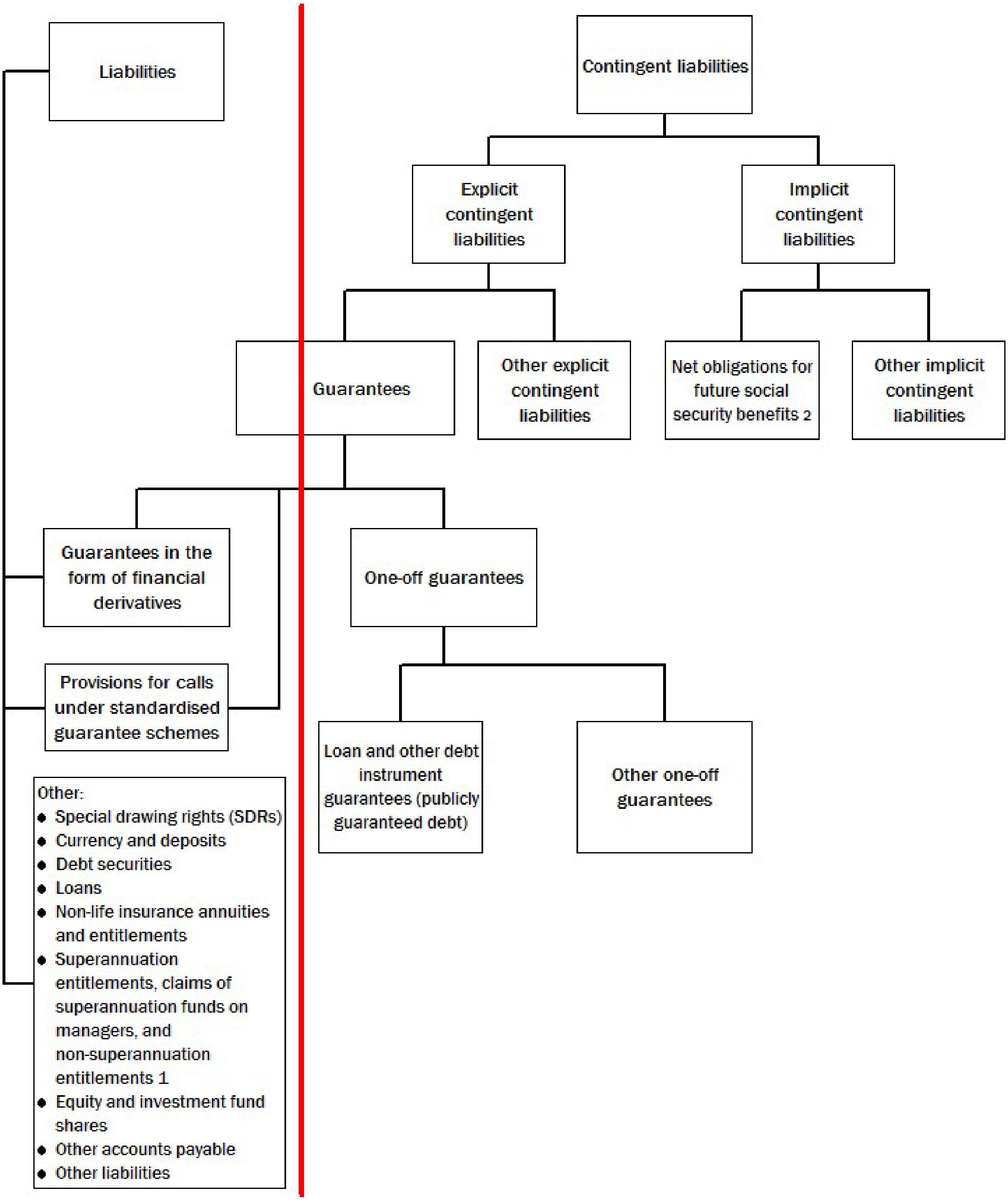
Explicit contingent liabilities and implicit contingent liabilities

13.76 In GFS, a distinction is made between explicit contingent liabilities and implicit contingent liabilities. Paragraph 7.252 of the IMF GFSM 2014 defines these as:

- Explicit contingent liabilities are defined as legal or contractual financial arrangements that give rise to conditional requirements to make payments of economic value. The requirements become effective if one or more stipulated conditions arise. Explicit contingent liabilities may take a variety of forms, but guarantees are the most common type.
- Implicit contingent liabilities are defined as not arising from a legal or contractual source but are recognised after a condition or event is realised. The most common form of implicit contingent liability for government is the assumption of provisions for future benefits such as age or disability pensions for a population. Another example is the expectation for the provision of funds for disaster recovery for events that have not yet occurred. Implicit contingent liabilities are not recorded in GFS unless the conditions associated with these are met (e.g. a person reaches an age where they are eligible to claim the age pension). Then the implicit contingent liability transforms into an actual liability and enters the GFS balance sheet. The remainder of this section will deal exclusively with explicit contingent liabilities.

13.77 Diagram 13.4 below shows the separation between actual liabilities and contingent liabilities in macroeconomic statistics. The line down the middle delineates the border between the types of liabilities considered actual liabilities and contingent liabilities in GFS.

Diagram 13.4 - Actual and contingent liabilities in macroeconomic statistics



[1] Includes liabilities for non-autonomous unfunded employer superannuation schemes
[2] Excludes liabilities for non-autonomous unfunded employer superannuation schemes

Source: Adapted from Figure 7.2, International Monetary Fund Government Finance Statistics manual, 2014.

Explicit contingent liabilities

13.78 Although guarantees are the most common type of explicit contingent liabilities, not all guarantees are contingent liabilities. Paragraph 7.253 of the IMF GFSM 2014 notes that guarantees in the form of derivatives and provisions for calls under standardised guarantee schemes are treated as actual liabilities and are recorded on the GFS balance sheet. Paragraph 7.254 of the IMF GFSM 2014 states that explicit contingent liabilities in GFS comprise:

- Publicly guaranteed debt;
- Other one-off guarantees; and
- Explicit contingent liabilities not elsewhere classified.

Publicly guaranteed debt

13.79 Publicly guaranteed debt are one-off guarantees in the form of loan and other debt instrument guarantees. Paragraph 7.256 of the IMF GFSM 2014 defines one-off guarantees as individual agreements whose associated monetary risk cannot be determined accurately. Often, one-off guarantees involve very large values, and carry a high risk of the guarantee being called. Paragraph 7.257 of the IMF GFSM 2014 notes that one-off guarantees are considered to be a contingent liability of the guarantor. The liabilities under a one-off guarantee continue to be attributed to the debtor unless and until the guarantee is called.

13.80 Some very high risk one-off guarantees are treated as if they are called at inception. Paragraph 7.258 of the IMF GFSM 2014 gives the example of a one-off guarantee granted by government to a corporation which is experiencing severe financial distress. In this type of case, the liability of the debtor (the corporation in financial distress) is assumed instantly by the guarantor (the government). Paragraph 7.258 of the IMF GFSM 2014 warns against the double counting of one-off guarantees called at inception because although the liability is created by the debtor, it is not owned by them. In this situation, the liability is instantly recorded by the guarantor at the inception of the one-off guarantee.

13.81 Paragraph 7.259 of the IMF GFSM 2014 groups one-off guarantees into:

- <u>Loan and other debt instrument guarantees in the form of publicly guaranteed debt</u> - these constitute the debt liabilities of public and private sector units, the servicing of which is contractually guaranteed by public sector units. Under this arrangement, one party agrees to bear the risk of non-payment of a financial commitment by another party under a guarantee arrangement. The guarantor is only required to make a payment if the debtor defaults; and
- <u>Other one-off guarantees</u> - these include credit guarantees such as lines of credit and loan commitments, contingent 'credit availability' guarantees, and contingent credit facilities. Lines of credit and loan commitments are one-off guarantee arrangements generally offered by financial institutions (such as banks) which provide a guarantee that undrawn funds will be available in the future, but no liability or financial asset will exist until such funds are actually provided.

13.82 Paragraph 7.260 of the IMF GFSM 2014 notes that publicly guaranteed debt differs from other types of one-off guarantee because the guarantor guarantees the servicing of the existing debt of other public and private sector units. With other one off guarantees, no liability / financial asset exists until funds are provided or advanced.

Other one-off guarantees

13.83 Other one-off guarantees form a part of explicit contingent liabilities and are defined in paragraph 7.254 of the IMF GFSM 2014 as comprising one-off guarantees other than publicly guaranteed debt.

Explicit contingent liabilities not elsewhere classified

13.84 Explicit contingent liabilities not elsewhere classified also form a part of explicit contingent liabilities and are defined in paragraph 7.254 of the IMF GFSM 2014 as explicit contingent liabilities that are not in the form of guarantees. They comprise:

- Potential legal claims stemming from pending court cases;
- Indemnities, which are commitments to accept the risk of loss or damage another party might suffer (for example, indemnities arising in government contracts with other units);

- Uncalled capital, which is an obligation to provide additional capital on demand, to an entity of which it is a shareholder (such as an international financial institution); and
- Potential payments remitting from PPP arrangements.

PART D - THE TREATMENT OF INSURANCE AND STANDARDISED GUARANTEES

13.85 An insurance policy is defined as an agreement between an insurer and another institutional unit (known as the policyholder). Paragraph A4.66 of the IMF GFSM 2014 states that under the insurance policy agreement, the policyholder makes payments (known as premiums) to the insurance corporation. If (or when) a specified event occurs for which the policyholder is covered by the insurance policy agreement, the insurance corporation makes a payment (known as a claim) to the policyholder. Under an insurance policy, the policyholder protects itself against certain forms of risk. By pooling these risks, the insurer aims to receive more from the receipt of premiums than it has to pay out as claims to the insured. Insurance liabilities are treated as actual liabilities rather than contingent liabilities in GFS - see Diagram 13.4 of this manual.

13.86 The most common form of insurance is called direct insurance whereby the policy is issued by an insurer to another type of institutional unit. Paragraph A4.68 of the IMF GFSM 2014 indicates that there are two types of direct insurance, known as life insurance and non-life insurance. Both types of insurance involve pooling risks. Under direct insurance, insurers receive many (relatively) small regular payments of premiums from policyholders and pay much larger sums to claimants when the contingencies covered by the policy occur. During the interval between the receipt of premiums and the payment of claims, the insurance corporation earns income from investing the premiums received. This investment income affects the levels of premiums and benefits set by the insurer. Paragraphs A4.69 and A4.70 of the IMF GFSM 2014 provide the following definitions:

- Life insurance - is an activity whereby a policyholder makes regular payments to an insurer in return for which the insurer guarantees to provide the policyholder (or in some cases another nominated person) with an agreed sum, or an annuity, at a given date or earlier if the policyholder dies beforehand. For life insurance, an important relationship exists between premiums and benefits during the policy period. For policyholders the benefits receivable are expected to be at least as great as the premiums payable, and this type of insurance can be seen as a form of saving. The insurer combines this aspect of a single policy with the actuarial calculations about the insured population concerning life expectancy (including the risks of fatal accidents) when determining the relationship between the levels of premiums and benefits. Life insurance mainly redistributes premiums payable over a period of time as benefits payable later to the policyholders or his/her beneficiaries. Essentially, life insurance premiums and benefits are transactions in financial assets and liabilities and not transactions in revenue and expense. Public sector units' involvement in life insurance is most often provided in the form of employment-related superannuation schemes.
- Non-life insurance - is an activity similar to life insurance except that it covers all other risks such as accidents, damage from fire, etc. For non-life insurance, the risks are spread over all policyholders, and the number of claimants is typically much smaller than the number of policyholders. Non-life insurance includes policies that provide a benefit in the case of death within a given period but in no other circumstances, usually called term insurance. With non-life insurance, a claim is payable only if a specified contingency occurs and not otherwise. This type of insurance consists of redistribution in the current period between all policyholders and a few claimants. While public corporations may be involved in various types of insurance schemes, general government units are usually not involved in non-life insurance other than social insurance.

Standardised guarantees

13.87 Standardised guarantees are defined as many guarantees that are similar in nature, and are issued in large numbers to many individuals or entities, often for smaller values. Paragraphs 7.201 and A4.71 of the IMF GFSM 2014 note that common types of standardised government guarantees include various types of insurance such as natural disaster insurance, student loans, and loans to small to medium enterprises. Standardised guarantees differ from one-off guarantees in that they are treated as actual liabilities rather than contingent liabilities in GFS, even though they contain an element of contingency by their very nature (see Diagram 13.4 of this manual).

13.88 Under a standardised guarantee there are three parties involved, the borrower (which is the debtor), the lender (which is the creditor), and the guarantor. Paragraph A4.71 of the IMF GFSM 2014 states that either the borrower or the lender may contract with the guarantor to repay the creditor if the debtor defaults. Similar to non-life insurance, it is not possible to determine the likelihood of any particular debtor defaulting. However, because the guarantees are very similar in nature and numerous in number, it is possible to estimate the general likelihood of defaults that the guarantor will have to cover. It is standard practice to estimate the default rate for a pool of similar guarantees. This default rate establishes an actual debt liability for an operator of a standardised guarantee scheme rather than a contingent liability, and is recorded through a transaction under *provisions for calls under standardised guarantee schemes* (ETF 3211, FALC 245).

13.89 Standardised guarantees are often provided by financial institutions, however, government units also take the role of guarantor in standardised guarantee schemes. Paragraph A4.72 of the IMF GFSM 2014 notes that the most common examples of government involvement in standardised guarantee schemes are in the cases of export credit guarantees, deposit insurance schemes, and student loan guarantees. When a government unit provides standardised guarantees without fees, or at such low rates that the fees are significantly less than the calls and administrative costs, the unit should be treated as a non-market producer within the general government sector. If a standardised guarantee scheme is operated by a general government unit, any transfers to cover recurrent losses are classified as *revenue from current grants and subsidies* (ETF 1141, SDC) for the recipient, and *subsidies on products* (ETF 1252, COFOG-A, SDC) or *other subsidies on production* (ETF 1253, COFOG-A, SDC) for the provider of the transfer. In addition, any transfers from the general government to cover large operating deficits of units accumulating over two or more years, or for exceptional losses due to factors outside the control of the unit are recorded as *revenue from capital grants* (ETF 1151, SDC) for the recipient, and *capital grant expenses* (ETF 1261, COFOG-A, SDC) for the provider of the transfer. Further information on subsidies and capital grants can be found in Chapter 6 and Chapter 7 of this manual.

13.90 The following flows and stock positions recorded by public sector units acting as either (i) non-life insurers or guarantors; or (ii) non-life insurance policy holders and holders of standardised guarantees appear in paragraph A4.79 of the IMF GFSM 2014. These flow and stock positions have been reproduced in Box 13.1 below:

Box 13.1 - Flows and stock positions recorded by public sector units acting as (i) non-life insurers or guarantors; or (ii) non-life insurance policy holders and holders of standardised guarantees

(i) For general government or public sector institutional units acting as an insurer or guarantor of standardised guarantees, recording these events would require recording the following entries in GFS:

- **Actual premiums (fees) receivable: The amount of actual premiums (fees) receivable represents premiums earned and prepayment of premiums. The portion of actual premiums (fees) receivable representing premiums (fees) earned for the reporting period represents revenue and is recorded as *premiums, fees and claims related to non-life insurance and standardised guarantee schemes* (ETF 1143, SDC). Prepaid premiums (fees) represent a transaction in liabilities in GFS, and are recorded as an increase in liabilities under accounts payable (ETF 3211, FALC 252, SDC).**

- **Property income earned on the investment of reserves: Usually, the reserves related to insurance or standardised guarantees are invested in financial assets and the revenue generated by these investments is generally in the form of *interest income* (ETF 1131, SDC) or *dividend income* (ETF 1132, SDC). Sometimes, however, the reserves may be used to generate net operating surpluses either in a separate establishment or as a secondary activity.**

- **Property income attributed to policyholders: Property income generated by the investment of reserves is deemed to be an implicit premium supplement. Therefore, the insurer or guarantor should attribute the property income to the policy holders by recording an expense, classified as *premiums, fees and current claims related to non-life insurance and standardised guarantees* (ETF 1256, COFOG-A, SDC). The counterpart entry to this expense is a transaction resulting in an increase in liabilities for *non-life insurance technical reserves* (ETF 3211, FALC 241, SDC) or *provisions for calls under standardised guarantee schemes* (ETF 3211, FALC 245, SDC).**

- **Claims (calls) payable: An expense for expected claims (calls, ie. the event has occurred) should be recognised in *premiums, fees and current claims related to non-life insurance and standardised guarantees* (ETF 1256, COFOG-A, SDC), and with a counterpart entry as an increase in the liability related to *non-life insurance technical reserves* (ETF 3211, FALC 241, SDC) or *provisions for calls under standardised guarantee schemes* (ETF 3211, FALC 245, SDC). For standardised guarantee schemes, the expense recorded is the expected level of calls (less any expected asset recoveries) on the standardised guarantees provided in the recording period. When claims (calls) are paid, transactions are recorded reducing liabilities related to non-life insurance technical reserves or provisions for calls under standardised guarantees with a corresponding reduction in assets or an increase in other liabilities.**

- **Holdings gains and losses: In some exceptions, if an amount for a claim outstanding has been agreed upon and it has** been agreed that it will be indexed pending payment, there may be a holding gain or loss recorded for it.

- Other changes in volume of assets and liabilities: Changes to provisions for calls under standardised guarantee schemes not resulting from transactions and holding gains and losses, are shown as other changes in volume of assets; for example, whenever a significant change to the expected level of calls is recognised, beyond any asset recovery.

(ii) For general government or public sector institutional units acting as non-life insurance policyholders and holders of standardised guarantees, recording these events would require recording the following entries in GFS

- Actual premiums (fees) payable: The amount of actual premiums payable represents premiums incurred, prepayment of premiums, and an implicit services charge payable. Because the implicit service charge can only be calculated in the context of an analysis of the whole of the economy, it is not recognised in GFS as an expense. The portion of actual premiums payable representing premiums incurred for the reporting period is an expense, classified as *premiums, fees and current claims related to non-life insurance and standardised guarantees* (ETF 1256, COFOG-A, SDC). Prepaid premiums represent a transaction in financial assets in GFS, and is recorded as an increase in financial assets in the form of *accounts receivable* (ETF 3111, FALC 152, SDC).

- Property income attributed to policyholders: Property income generated by insurers (guarantors) on the investment of reserves is deemed to be an implicit premium supplement, attributed to the policyholders. Conceptually, general government or public sector institutional units as policyholders might potentially record property income revenue, classified as *revenue from investment funds* (ETF 1136, SDC). The counterpart entry to this revenue is an increase in the financial asset *non-life insurance technical reserves* (ETF 3111, FALC 141, SDC). However, the revenue related to this item is not always known to GFS compilers. Therefore, this revenue is not recorded in GFS and remains an adjustment item between GFS and national accounts.

- Claims receivable: Claims become due when the event that gives rise to a valid claim occurs, whether or not paid, settled, or reported during the reporting period. The policyholder recognises revenue for the claim at the time an event giving rise to a claim occurred, or in the case of a standardised guarantee at the time a call can be made in terms of the contract. These claims receivable should be recognised as revenue classified as *premiums, fees and claims related to non-life insurance and standardised guarantees* (ETF 1143, SDC) and with a counterpart entry as an increase in a financial asset in the form of *provisions for calls under standardised guarantees* (ETF 3111, FALC 145, SDC). Upon actual payment of the claims, a decrease is recorded in the relevant insurance reserve with a corresponding increase in *other financial assets not elsewhere classified* (ETF 3111, FALC 159, SDC).

Source: Based on paragraphs A4.79 and A4.80 of the International Monetary Fund Government Finance Statistics Manual, 2014

PART E - THE TREATMENT OF PUBLIC-PRIVATE PARTNERSHIPS (PPPS)

13.91 Public-private partnerships (PPPs) are defined in paragraph A4.58 of the IMF GFSM 2014 as long term contracts between two units whereby one unit acquires or builds an asset (or set of assets), operates it for a period, and then hands the asset over to a second unit. PPP arrangements commonly involve a government unit and a private corporation. However, other combinations of parties in a PPP arrangement are possible, such as a public corporation as both parties in the arrangement, or a private non-profit institution as the second unit. Governments engage in PPPs for a variety of reasons, including the expectation that private management may lead to more efficient production, or that access to a broader range of financial sources can be obtained.

13.92 In GFS, PPP arrangements are sometimes referred to by different names depending on the type of contract that is in place. The examples listed in paragraph A4.58 of the IMF GFSM 2014 include private finance initiatives (PFIs); design, built, operate, and transfer schemes (DBOT); build, own, and transfer schemes (BOTs); or build, own, operate, and transfer schemes (BOOTs).

13.93 The types of activities that involve PPP arrangements can vary greatly. Paragraph A4.59 of the IMF GFSM 2014 states that generally under a PPP arrangement, private corporations are engaged to construct and operate assets of a kind that are usually the responsibility of the general government or public corporations. These types of assets commonly include infrastructure such as bridges, water supply and sewerage treatment works and pipelines, and facilities such as hospitals, prisons, stadia and electricity generation and distribution facilities.

13.94 PPP arrangements are attractive for both the government and for private corporations (or other parties to the arrangement). Paragraph A4.60 of the IMF GFSM 2014 indicates that under a PPP arrangement, the private corporation (or other party) can expect to recover its costs and to earn an adequate rate of return on its investment. The government often makes periodic payments during the contract period, or alternatively the private corporation may sell the services to the public (e.g., a toll road), or a combination of the two. The prices involved are often regulated by the government and set at a level that will allow the private corporation to recover its costs and earn a return on its investment (benchmark price). If the regulated price is set at a level below such a benchmark price, the government will usually need to compensate the private partner, often through subsidies or other transfers. There can be many variations in PPP contracts regarding aspects such as the disposition of the assets at the end of the contract, the required operation and maintenance of the assets during the contract, and the price, quality, and volume of services produced. At the end of the contract period, the government may gain legal and economic ownership of the assets, possibly without payment.

Determining economic ownership of PPP related assets

13.95 Determining the economic ownership of an asset and whether to record PPP-related assets and liabilities in the government's or the private corporation's balance sheet is not always straightforward. Paragraph A4.61 of the IMF GFSM 2014 states that under a PPP arrangement, the private corporation is responsible for acquiring or constructing the non-financial produced assets, although the acquisition or construction is often supported by the backing of the government. The contract often allows government to specify the design, quality, capacity, use, and maintenance of the asset in accordance with government standards. Typically, the assets have service lives much longer than the contract period so that the government will control the asset, bear the risks, and receive the rewards for a major portion of the assets' service life. It can be difficult to determine whether the private corporation or the government controls the assets over their service lives or which party bears the majority of the risks and benefits from the majority of the rewards. In GFS, it is prudent to examine PPP arrangements on a case by case basis to determine economic ownership of the related asset.

13.96 Because a distinction is made in GFS between legal ownership and economic ownership of assets based on risks and benefits, paragraph A4.62 of the IMF GFSM 2014 indicates that the legal owner and economic owner of the asset being acquired or constructed may be two different parties under a PPP arrangement. Box 13.2 below examines the factors that need to be taken into consideration when determining the economic ownership of PPP-related assets.

Box 13.2 - Determining the economic ownership of PPP-related assets

The economic owner of the assets related to a PPP is determined by assessing which unit bears the majority of the risks and which unit is expected to receive a majority of the rewards of the asset. The factors that need to be considered in assessing economic ownership of PPP-related assets include those associated with acquiring the asset and those associated with using the asset.

Some of the risks associated with acquiring the asset are:

- **The degree to which the government controls the design, quality, size, and maintenance of the assets; and**
- **Construction risk, which includes the possibility of additional costs resulting from late delivery, not meeting specifications, or building codes, and environmental and other risks requiring payments to third parties.**

Some of the risks associated with operating the asset are:

- **Supply risk - covers the degree to which the government is able to control the services produced, the units to which the services are provided, and the prices of the services produced;**
- **Demand risk - includes the possibility that the demand for the services, either from government or from the public at large in the case of a paying service, is higher or lower than expected;**
- **Residual value and obsolescence risk - includes the risk that the value of the asset will differ from any price agreed for the transfer of the asset to government at the end of the contract period; and**
- **Availability risk - includes the possibility of additional costs or the incurrence of penalties because the volume and/or quality of the services do not meet the standards specified in the contract.**

PPP arrangements need to be examined on a case by case basis to determine economic ownership over the associated assets. The relative importance of each factor listed above is likely to vary with each PPP. It is not possible to state prescriptive rules that will be applicable to every situation.

Source: Adapted from Box A4.4, International Monetary Fund Government Finance Statistics Manual, 2014.

13.97 If the government is identified as the economic owner of the asset(s) during the contract period but does not make any explicit payment at the beginning of the contract, paragraph A4.64 of the IMF GFSM 2014 states that a transaction must be imputed to cover the acquisition of the asset(s) for GFS purposes. The recording of this depends on the specific contract provisions, how they are interpreted, and possibly other factors. Most frequently, these contracts will be recorded as the acquisition of the asset through an imputed financial lease because of the similarity with actual financial leases.

13.98 If the private corporation is considered to be the economic owner of the asset(s) during the contract period, paragraph A4.65 of the IMF GFSM 2014 states that any debt associated with the acquisition of the asset(s) should be attributed to the private corporation. Normally, the government obtains legal and economic ownership of the assets at the end of the contract without any significant payment. However, two approaches are possible to account for the acquisition of the asset(s) by the government:

- Over the contract period, the government gradually builds up a financial claim (e.g., accounts receivable) and the private corporation gradually accrues a corresponding liability (e.g., accounts payable), such that both values are equal to the residual value of the assets at the end of the contract period. At the end of the contract period, government records the acquisition of the asset, with a reduction in the financial claim (accounts receivable) as the counterpart entry. The other unit records the disposal of the asset, with a reduction in the liability (accounts payable) as the counterpart entry. Implementing this approach may be difficult because it requires new transactions to be constructed using assumptions about expected asset values and interest rates.
- An alternative approach is to record the change of legal and economic ownership from the private unit to government as a capital transfer at the end of the contract period. At the end of the contract period, government records revenue in the form of a capital transfer which finances the acquisition of the asset and the private unit records an expense in the form of a capital transfer payable to government, financed by the disposal of the asset. The capital transfer approach does not reflect the underlying economic reality as well as the first alternative, but data limitations, uncertainty about the expected residual value of the assets, and contract provisions allowing various options to be exercised by either party makes recording a capital transfer in GFS acceptable on pragmatic grounds.

PART F - THE TREATMENT OF MAJOR IMPROVEMENTS TO ASSETS VERSUS MAINTENANCE AND REPAIRS OF ASSETS

13.99 Paragraphs 8.25 to 8.27 of the IMF GFSM 2014 provides guidance to help to distinguish between major improvements to assets and the maintenance or repair of assets. Major improvements to existing assets (such as renovations, reconstructions, and enlargements) increase the productive capacity of the asset, extend its service life, or both. In GFS, major improvements are classified as transactions for the acquisition of non-financial produced assets during the reporting period, and the value of the improvement is then added to the existing value of the underlying asset at the end of the reporting period. The exception is in the case of land where major improvements are identified separately under *land improvements* (ETF 4114, NFAC 113, SDC).

13.100 The maintenance and repair of non-financial produced assets constitute an expense that is classified as the *use of goods and services* (ETF 1233, COFOG-A, SDC) in the GFS system. Paragraph 8.26 of the IMF GFSM 2014 distinguishes major improvements from maintenance and repairs by the following features:

- The decision to renovate, reconstruct, or enlarge an asset is a deliberate investment decision that may be undertaken at any time and is not dictated by the condition of the asset. Major renovations of ships, buildings, or other structures are frequently undertaken well before the end of their normal service lives; and
- The major renovations, reconstructions, or enlargements increase the performance or capacity of existing assets or significantly extend their previously expected service lives. Enlarging or extending an existing road, building, or structure constitutes a major change in this sense, but a complete refitting or restructuring of the interior of a building also qualifies.

13.101 Paragraph 8.27 of the IMF GFSM 2014 further distinguishes maintenance and repairs by the following two features:

- They are activities that owners or users of assets are obliged to undertake periodically in order to be able to utilise such assets over their expected service lives. They are current costs that cannot be avoided if the non-financial produced assets are to continue to be used. The owner or user cannot afford to neglect maintenance and repairs as the expected service life may be drastically shortened otherwise; and
- They do not change the non-financial produced asset or its performance, but simply maintain it in good working order or restore it to its previous condition in the event of a breakdown. Defective parts are replaced by new parts of the same kind without changing the basic nature of the non-financial produced asset.

PART G - THE TREATMENT OF RESEARCH AND DEVELOPMENT

13.102 In the GFS system, research and development may take the form of expenditures made by a resident unit in producing knowledge for use within the unit, or expenditures made by a unit in acquiring research and development produced by another unit. This includes the cost of any grants provided to other units for performing research and development. In Australian GFS, the Organisation for Economic Co-operation and Development (OECD) *Handbook on Deriving Capital Measures of Intellectual Property Products*, 2010 is used to provide practical guidance on the asset boundary of research and development and other intellectual property products.

13.103 The *Frascati Manual: Proposed Standard Practice for Surveys on Research and Experimental Development, 6th Edition* (the Frascati Manual), is also used in the Australian GFS to provide guidance on the concept of research and development. This publication separates research and development into three types of activities: basic research, applied research and experimental development. They are defined as follows:

- Basic research - this is experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundation of phenomena and observable facts, without any particular application or use in view.
- Applied research - this is original investigation undertaken in order to acquire new knowledge. It is, however, directed primarily towards a specific practical aim or objective.
- Experimental development - this is systematic work, drawing on existing knowledge gained from research and/or practical experience, which is directed to producing new materials, products or devices, to installing new processes, systems and services or to improving substantially those already produced or installed.

13.104 While the Frascati Manual recognises the types of activities relating to research and development as either basic research, applied research or experimental development, paragraph 6.207 of the 2008 SNA (the overarching framework for macroeconomic statistics) does not consider pure basic research of general government and private non-profit institutions to constitute produced assets. This is because the results of pure basic research benefits the general population and is usually freely available, and so provides no future economic benefit to the developer. Therefore, the costs of pure basic research of general government and private non-profit institutions are not capitalised, but expensed under *non-employee expenses not elsewhere classified* (ETF 1239, COFOG-A, SDC) in the period to which they relate.

13.105 Only applied research and experimental development of general government units and private non-profit institutions are considered to constitute non-financial assets. However, pure basic research conducted by corporations are considered to be non-financial assets because in macroeconomic statistics, it is believed that a corporation would not undertake research and development if it did not provide them with future economic benefits. In the Australian national accounts, the cost of pure basic research is excluded from produced assets, except in the case of research and development expenditure by businesses.

13.106 The value of research and development is determined in terms of the economic benefits it is expected to provide in the future. This value includes the provision of public services in the case of research and development acquired by government. Paragraph 7.64 of the IMF GFSM 2014 notes that intellectual property products are the result of research, development, investigation, or innovation leading to knowledge that the developers can market or use to their own benefit in production because use of the knowledge is restricted by means of legal or other protection. This knowledge may be embodied in a free-standing product or may be embodied in another product. When the latter is the case, the product embodying the knowledge has an increased price relative to a similar product without this embodied knowledge. The knowledge remains an asset as long as its use can create some form of monopoly profits for its owner. When it is no longer protected or becomes outdated by later developments, it ceases to be an asset or is still an asset but of significantly lower value. Paragraph 7.67 of the IMF GFSM 2014 indicates that if it is not feasible for research and development to be valued at current market prices, then research and development may be valued as the sum of costs (including the cost of unsuccessful research and development). Research and development carried out on contract is valued at the contract price.

13.107 The cost of research and development also includes the costs associated with mineral exploration and evaluation. Paragraph 8.39 of the IMF GFSM 2014 states that mineral exploration and evaluation consists of the value of expenditures on exploration for petroleum and natural gas and for non-petroleum deposits and subsequent evaluation of the discoveries made. In addition to the costs of actual test drilling and boring, mineral exploration includes any pre-licence, licence, acquisition, and appraisal costs, the costs of aerial and other surveys, and transportation and other costs incurred to make the exploration possible are included.

PART H - THE TREATMENT OF CONTRACTS, LEASES AND LICENCES IN GFS

13.108 Contracts, leases, and licences are treated as non-financial non-produced assets in GFS, and form part of the concept of *intangible non-produced assets* (ETF 8112, NFAC 32) in the GFS balance sheet.

Contracts

13.109 The basic function of a contract is to record the terms of agreement for one unit to provide another unit with a good, service, or asset at an agreed price within an agreed time frame. Paragraph A4.2 of the IMF GFSM 2014 states that contracts may take the form of written, legally binding agreements, or they may be informal or even implicit in nature. Whatever form they take, contracts serve as evidence of a change in the ownership of an asset and the point at which a transaction takes place.

Leases

13.110 The term 'leasing' refers to a contractual arrangement where the owner of an asset (the lessor) allows a second party (the lessee) to use the asset for a specified time in return for payment. There are three types of leases relating to the use of non-financial assets that are recognised in macroeconomic statistics. Paragraphs A4.6 to A4.17 of the IMF GFSM 2014 name these as:

- Operating leases;
- Financial leases; and
- Resource leases.

13.111 In GFS, there is a distinction between legal and economic ownership of assets. The legal owner of an asset is defined as the institutional unit entitled by law and sustainable under the law to claim the benefits associated with the asset. By contrast, the economic owner of an asset is entitled to claim the benefits associated with the use of the asset in the course of an economic activity by virtue of accepting the associated risks. The legal owner is often the economic owner as well. When they are different, the legal owner of an asset is said to have divested themselves of the risks in return for agreed payments from the economic owner. When determining the ownership of leased assets, paragraph A4.4 of the IMF GFSM 2014 states:

- In the case of operating leases and resource leases, there is no change of economic ownership of the asset and the legal owner continues to be the economic owner. Resource leases are agreements for the use of natural resources, such as land and radio spectrum. Operating leases are agreements for the use of all other non-financial assets.
- In the case of financial leases, there is a change of economic ownership of the asset: the legal owner of the asset conveys economic ownership to another institutional unit. Financial leases can apply to all non-financial assets, including natural resources under some circumstances.

Operating leases

13.112 An operating lease is defined in paragraph A4.6 of the IMF GFSM 2014 as a contract for the renting out of produced assets under arrangements that provide the use of the asset to the lessee, but does not involve the transfer of the bulk of the risks and rewards of ownership to the lessee. The legal and economic owner of assets under an operating lease is called the lessor. One indicator of whether an operating lease exists is that it is the responsibility of the legal owner to provide any necessary repair and maintenance of the asset. Under an operating lease the asset remains on the balance sheet of the lessor. Amounts payable under an operating lease for the use of the asset are referred to as rentals and are recorded as *use of goods and services* (ETF 1233, COFOG-A, SDC).

13.113 Paragraph A4.7 of the IMF GFSM 2014 indicates that operating leases are most commonly used for non-financial assets such as motor vehicles, office equipment (e.g. photocopiers), construction equipment, buildings, etc. Under an operating lease arrangement, the lessor takes responsibility for the repair and maintenance and security of the asset. The lessor may also be required to replace the asset if it is seriously damaged. Depreciation on the asset under an operating lease arrangement is recorded in the accounts of the lessor.

Financial leases

13.114 A financial lease is defined as a contract under which the lessor (as the legal owner of an asset), conveys all the risks and rewards of ownership of the asset to the lessee. Under this arrangement, the lessor provides an imputed loan which allows the lessee to acquire the risks and the rewards of the asset, but the lessor retains the legal title (ownership) of the asset. The lessor will record a loan (corresponding to the market value of the leased asset) to the lessee on their balance sheet (classified as *transactions in financial assets (net)* (ETF 3111), *finance leases* (FALC 131, SDC)), and the lessee will record both the market value of the leased asset and an equivalent loan liability on their balance sheet when the lease is signed, or economic control of the asset changes hands (classified as *transactions in liabilities (net)* (ETF 3211), *finance leases* (FALC 231, SDC)).

13.115 Paragraph 9.45 of the IMF GFSM 2014 states that when goods are acquired under a financial lease, a change of economic ownership from the lessor to the lessee is deemed to take place, even though the leased goods remain legally the property of the lessor. This change in economic ownership is financed by a loan transaction: the lessor and lessee record a loan equal to the market value of the asset, this loan being gradually paid off over the period of the lease. The implication of treating a financial lease as a loan is that interest accrues on the loan. At the time the lease is initiated, the market value of the imputed loan is, by definition, equal to the market value of the asset (or principal). The rate of interest is the discount rate, which when applied to the future lease payments, matches their present value with the principal. Therefore the lease payments equate to instalments that cover the interest accrued during the period as well as repayment of the principal.

13.116 At the end of the lease term, paragraph A4.15 of the IMF GFSM 2014 states that the asset may be returned to the lessor to cancel the loan, or a new arrangement (including the outright purchase of the asset) may be reached between the lessor and lessee. If the lease is for less than the expected economic life of the asset, the lease usually specifies the value to the lessor at the end of the lease or the terms under which the lease can be renewed. Any variation in the price of the asset from the value specified in the lease agreement is borne by the lessee.

13.117 There are a number of indicators which may help to distinguish if a contract is in fact a finance lease. These indicators are listed in Box 13.3 below.

Box 13.3 - Evidence that a contract may be a financial lease

Under a financial lease, the lessee becomes the economic owner of the associated non-financial produced asset. Under an operating lease, the lessor remains the economic owner of the non-financial produced asset and payments by the lessee are recorded as payments for a service. Evidence that a contract may be a financial lease includes:

- **a. The lease contract transfers legal ownership of the asset to the lessee at the end of the lease term; or**
- **b. The lease contract gives the lessee the option to acquire legal ownership of the asset at the end of the lease term at a price that is sufficiently low that the exercise of the option is reasonably certain; or**
- **c. The lease term is for the major part of the economic life of the asset; or**
- **d. At inception, the present value of the lease payment amounts to substantially all of the value of the asset; or**
- **e. If the lessee can cancel the lease, the losses of the lessor are borne by the lessee; or**
- **f. Gains or losses in the residual value of the residual asset accrue to the lessee; or**
- **g. The lessee has the ability to continue the lease for a secondary period for a payment substantially lower than market value.**

Source: Appendix 4.11, International Monetary Fund Government Finance Statistics Manual, 2014

Resource leases

13.118 A resource lease is defined in paragraph A4.16 of the IMF GFSM 2014 as an agreement whereby the legal owner of a natural resource (that macroeconomic statistics treat as having an infinite life) makes it available to a lessee in return for a regular payment. Under a resource lease, there is no change in economic ownership so the resource continues to be recorded on the balance sheet of the lessor, even though it is used by the lessee. The lessee is allowed the use of the natural resource in exchange for regular payments (which are called rents), the receipt of which are recorded as property income by the lessor. By convention, no depreciation is applied to natural resources. The use or depletion of a natural resource is instead recorded as an *other change in the volume of assets* (see Chapter 11 for more information other change in the volume of assets).

13.119 Australian natural resources (including petroleum and gas reserves) are owned by the Commonwealth, state and territory governments. The right to use natural resources may be granted to other parties but the Commonwealth, state and territory governments retain ownership of these assets.

13.120 In Australia, one of the most common types of resource lease concerns the leasing of mineral resources. There are three broad types of mining licences and leases issued in Australia. Each corresponds with a certain stage of the mining process and confers particular rights to the licence or lease holder:

- (a) Initial access for exploration and evaluation purposes is granted through prospecting or exploration licences. These licences confer the right to explore and evaluate a specified area of land (both above and below the surface) to determine the existence, quality and quantity of minerals present. In addition, a prospecting licence may grant the right to hand-mine for minerals.
- (b) In the event that exploration is successful but for one reason or another, mining cannot commence, the right to postpone extractive activities is granted through a retention lease.
- (c) In the event that exploration is successful and mining can commence, the right to engage in extractive activities is granted through a mining lease. This right is conferred with respect to discoveries within a defined area and over a specified term. Mining leases in Australia are generally granted for maximum terms of between 20 and 25 years, but it is common for shorter terms to be renewable.

Licences

13.121 In GFS, licences exist to provide a regulatory function for common activities undertaken by the general population. If the issue of such licences involves little or no work for the government, then the revenues raised are recorded as *taxation revenue* (ETF 111). However, if the government uses the issue of licences to exercise some sort of regulatory function, such as checking the competency or qualifications of a would-be licensee, then the revenues raised are recorded as *administrative fees* (ETF 1122) as part of sales of goods and services by government unless they are clearly disproportionate to the costs of providing the services. Examples of licences issued by government include fishing licences, marriage licences, drivers licences, and dog owners licences. Further information on the classification of tax versus payment for services can be found in Box 13.5 of this manual.

13.122 The difference between a lease and a licence is that governments issue licences in order to regulate certain activities that are common to the general population, whereas government leases often involve a specialised activity, such as mineral extraction.

Permits to undertake a specific activity

13.123 In addition to leases and licences, governments may issue permits that give individuals or entities permission to engage in a particular activity in exchange for a fee. Permits are designed to limit the number of individual units entitled to engage in an activity. Often the government is required to check the competency and / or qualifications of permit holders. If the government performs this type of regulatory function, then the fees that are associated through the issue of permits will be recorded as *administrative fees* (ETF 1122) as part of *sales of goods and services* (ETF 112). Examples of permits issued by governments include gambling permits, food and beverage permits, and taxi-plate permits.

Determining whether a licence represents the sale of an asset or rent from natural resources

13.124 Sometimes it can be difficult to determine whether payments received under certain licensing arrangements actually constitute the sale of an asset, or whether they represent rents received from natural resources under Box A4.1 of the IMF GFSM 2014 lists a number of criteria designed to determine whether payments received under a licence represent an asset sale or rent from natural resources. These criteria have been reproduced in Box 13.4 below:

Box 13.4 - Criteria used to determine whether a licence represents an asset sale or rent from natural resources

a. **Costs and benefits assumed by licensee: the greater the extent of the risks and benefits associated with the right to use an asset incurred by the licensee, the more likely the classification of a transaction as the sale of an asset as opposed to rent. Pre-agreement on the value of payments (whether by lump sum or by instalments) effectively transfers all economic risks and benefits to the licensee and points therefore, to the sale of an asset. If, on the other hand, the value of payment is contingent on the results from using the licence, risks and benefits are only partially transferred to the licensee and the situation is more readily characterised as payment of rent. In the case of mobile phone licences, the total amount payable is often pre-agreed. An additional indication of the degree to which commercial risks have been passed to the licensee is to examine the hypothetical case where a licensee goes bankrupt. If, in such a case, the licensor reimburses none of the up-front payment made by the licensee, this would constitute a strong case against a characterisation of the transaction as rent, as apparently the licensee has incurred all the risks involved.**

b. **Up-front payment or instalment: as with other indicators, the mode of payment is in itself not conclusive for a characterisation as a transaction in assets or rent payment. Generally, the means of paying for a licence is a financial issue and not a relevant factor in determining whether or not it is an asset. However, business practice shows that up-front payments of rent for long periods (15-25 years in the case of mobile phone licences) are unusual and this favours an interpretation as sale of an asset.**

c. **Length of the licence: licences granted for long periods suggest the transaction should be treated as the sale of an asset, for shorter periods a treatment as payments for rent. The time frame involved in mobile phone licensing (15-25 years) is considered rather unusual as a period for which to conclude a fixed payment of rent and therefore a further indication favouring an interpretation as sale of an asset.**

d. **Actual or de facto transferability: the possibility to sell the licence is a strong indication of ownership and if transferability exists, this is considered a strong condition to characterise the licensing act as the sale of third-party property rights. In practice, mobile phone licences are often transferable either directly (by the corporation selling the licence to another corporation) or indirectly (through the corporation being acquired through a takeover).**

e. **Cancellation possibility: the stronger the restrictions on the issuer's capacity to cancel the licence at its discretion, the stronger the case for treatment as a sale of an asset. Conversely, when licences can easily be cancelled at the discretion of the issuer, ownership over benefits and risks has not been fully transferred to the licensee and the transaction qualifies more readily as rent.**

f. **Conception in the business world and international accounting standards: businesses, in accordance with international accounting standards, often treat a licence to use the spectrum as an asset. Again, in itself this does not lead to treatment as an asset in the national accounts, and there are other areas where companies choose to present figures in** their accounts in ways that are not consistent with the national accounts. But the treatment of the acquisition of mobile phone licences as capital investment in company accounts provides an added incentive to treat them in a similar way in the national accounts.

Note that not all, or the majority of these considerations have to be satisfied to characterise the licence as a sale of an asset. However, to qualify as rent of a natural resource asset (rather than the sale of an asset), at least some of the following conditions should hold:

i. The contract is of short-term duration, or renegotiable at short-term intervals. Such contracts do not provide the lessee with a benefit when market prices for the leased asset go up in the way that a fixed, long-term contract would. Such benefits are holding gains that typically accrue to owners of assets.

ii. The contract is non-transferable. Non-transferability is a strong but not a sufficient criterion for the treatment of licence payments as rent, because, although it precludes the lessee from cashing in on holding gains, it does not preclude the lessee from reaping comparable economic benefits (e.g., using the licence in their business).

iii. The contract contains detailed stipulations on how the lessee should make use of the asset. Such stipulations are often seen in cases of rent of land, in which the owner wishes to retain control over the usage of the land. In the case of licences, examples of such stipulations would be that the contract states what regions or types of customers should be served, or that it sets limits on the prices that the lessee may charge.

iv. The contract includes conditions that give the lessor the unilateral right to terminate the lease without compensation, for instance for under-use of the underlying asset by the lessee.

Source: Box A4.1, International Monetary Fund Government Finance Statistics Manual, 2014.

PART I - THE TREATMENT OF SUPERANNUATION IN GFS

13.125 In GFS employment related superannuation schemes are classified to the public sector. Employment related superannuation schemes are a type of social insurance scheme that provides post-retirement entitlements for employees as part of their conditions of employment. For GFS purposes, it is only the financial obligations of public sector employers for superannuation that are recorded. By definition, public sector superannuation schemes are contributory and serve to provide post-employment benefits to government employees and their dependants. The provision of superannuation entitlements by government is considered to be part of an actual or implicit contract between the government (as employer) and their employees to compensate them for the provision of labour services.

13.126 Public sector superannuation schemes in Australia are structured into defined contribution schemes, defined benefit schemes and hybrid schemes (which include elements of both defined contribution and defined benefit schemes). The following entities are usually associated with the operation of a general government superannuation scheme in Australia:

- General government employer unit(s) - the unit who establishes a superannuation scheme on behalf of their employees and retains responsibility for pension liabilities.
- Superannuation scheme administrative unit - the unit involved in providing administrative services to superannuation scheme members for their participation in the scheme, including their choice of contribution and investment options and arrangements for the payment of superannuation benefits. In some Australian jurisdictions, the administrative unit is financed by the employer (the general government sector) and is contained within the general government sector, either as a separate government unit or as part of another (i.e. the parent). In others, it is financed by the members through cost recoveries and set up as an integral part of the superannuation fund which is not deemed to be under government control.
- Board of trustees (or equivalent) for the scheme - a separate legal body that is created responsible for administering the superannuation scheme on behalf of the superannuation scheme members in an autonomous superannuation fund.
- Superannuation fund under the management of the board of trustees - a separate legal entity responsible for administering the superannuation scheme on behalf of the superannuation scheme members that is managed by a board of trustees.

Autonomous and non-autonomous superannuation funds

13.127 Some Australian jurisdictions have established superannuation funds for the benefit of their employees that are separate institutional units from the government employer. Legislation places responsibility for the day-to-day operation of the superannuation funds with a board of trustees that is created as a separate legal entity. These superannuation funds are referred to as autonomous superannuation funds, and they have the characteristics of an institutional unit in the corporate sector (i.e. it must be able to operate independently of its owners, and be able to acquire assets and incur liabilities in its own right, have a separate set of accounts, and provide its services at economic significant prices). These entities are considered to provide financial services (i.e. superannuation benefits) to the household sector, and are therefore classified to the financial corporations sector. They are viewed as non-profit institutions (NPIs) and hence out of the scope of GFS, and because the costs of the funds' operations are recovered from the pool of contributions the funds are treated as market NPIs and are included in the private financial corporations institutional sector.

13.128 There are two types of autonomous superannuation funds:

I. where the employer retains responsibility for pension liabilities, and the funds are operated by a pension administrator in the private financial sector; and

II. where the pension fund itself is responsible for the liabilities and these are generally multi-employer funds.

13.129 Some Australian jurisdictions establish special accounts or notional funds within the general government sector, rather than establishing a separate institutional unit that is responsible and accountable for the decisions and actions regarding the return on superannuation fund assets. These types of superannuation funds are called non-autonomous superannuation funds.

13.130 A non-autonomous pension fund for employees in the public sector does not meet the criteria to be considered an institutional unit. These funds are classified within the unit that controls them, and they accumulate assets to cover outstanding unfunded superannuation liabilities. The economic flows and stock positions of non-autonomous superannuation funds are integrated with those of the controlling employer. All of the assets, liabilities, transactions, and other economic events of the fund are combined with the corresponding items of the employer operating the scheme, which may be a general government unit or a public corporation. The treatment of the assets, liabilities, transactions, and other economic events related to the non-autonomous superannuation fund is similar to that of an autonomous superannuation fund.

Defined contribution superannuation schemes

13.131 A defined contribution superannuation scheme is one where the benefits payable to the employee on retirement are determined by the funds that have accumulated from employer and employee contributions over the working life of the employee, together with income and capital gains / losses arising from the investment of the accumulated funds. The funds are accumulated in a separate superannuation fund managed by a board of trustees or guardians of the scheme (autonomous fund). The public sector employer has a responsibility to make the regular agreed contributions to the fund, but then has no further superannuation liability towards their employees.

Defined benefit superannuation schemes

13.132 A defined benefit superannuation scheme is one where the benefits payable to the employee on retirement are determined by a formula, usually based on a combination of final salary (or final average salary), age at retirement and the number of years of membership in the scheme. For defined benefit schemes, the employer (or an autonomous pension fund) has a liability to ensure that the superannuation entitlements of its employees are fully met on their retirement. Defined benefit schemes may be funded in a variety of ways. In the past, the most common method in the Australian public sector was for the employer to meet the funding requirements on an emerging cost basis, with a separate fund established to accumulate and invest any member contributions. Most public sector employers only operate defined contribution pension schemes for new employees, and have closed new membership to defined benefit schemes. Many public sector employers have also established special accounts or funds within the general government sector to progressively cover their unfunded liabilities or are making additional payments to autonomous funds to reduce their outstanding liabilities to those defined benefit schemes.

13.133 When accounting for defined benefit superannuation schemes, the public sector employer is required to record the value of the benefits accruing to employees for employment services provided by them in the current period, and also the total level of the outstanding liability to be shown on the balance sheet. This process can be complex because the benefits to the employee are determined in terms of the anticipated level of the benefits that will ultimately be received by the employee on retirement or resignation. While the formula for calculating the benefits is known, the future benefits payable cannot be specified precisely until the retirement or exit of the employee from the scheme.

13.134 A number of factors can affect an employer's defined benefit superannuation liability. These include:

- Current service cost (current service increase) - the increase in entitlements associated with the employment services provided by employees in the current period;
- Interest cost (past service increase) - the increase in the liability due to the fact that, for all participants in the scheme, retirement (and death) is one year nearer, and so one fewer discount factors must be used to calculate the present value of the benefits for each future year;
- Benefit payments on retirement or exit - the decrease in entitlements due to the payment of benefits during the period; and
- Changes arising because of changes to the discount rate, other actuarial assumptions and/or the rules governing entitlements under the scheme.

13.135 The Projected Unit Credit Method (which is equivalent to the Projected Benefit Obligation (PBO) method referenced in Chapter 17 of the 2008 SNA) is the actuarial method recommended by the Australian Accounting Standards (AASB 119) for calculating the present value of defined benefit obligations. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

13.136 Present value calculations require the use of discount rates that represent the time value of money. Ideally the discount rate should be a weighted average reflecting the timing of future benefit payments; market rates of the appropriate term should be used to discount shorter term payments; and estimates made of the discount rates for longer term maturities by extrapolating current market rates along the yield curve. However, for practical reasons many Australian jurisdictions use the 10-year Commonwealth Government bond rate or the government bond rate with the longest available maturity as a proxy for the discount rate. Paragraph 6.117 of the IMF GFSM 2014 states that over time, the total liability of a defined benefit pension scheme will change because of the receipt of additional contributions and property income, the payment of benefits, changes in the actuarial assumptions, and the passage of time. The property expense attributed to members is equal to the increase in the liability resulting from the property income accruing on the pension fund’s assets held on behalf of the beneficiaries and the passage of time, which occurs because the future benefits are discounted over fewer reporting periods.

13.137 For those defined benefit schemes where an autonomous superannuation fund has been established to hold employee and / or employer contributions, the fund has a liability to the household sector equal to the discounted value of the defined benefit obligations. If the fund has insufficient assets to meet this liability, the public sector employer has a liability towards the fund that is equal to the shortfall. Conversely, if the fund has more than sufficient assets to meet this liability, the public sector employer has an asset with the fund that is equal to the difference between fund assets and the current value of the defined benefit obligations. Therefore, where an autonomous superannuation fund exists, the provisions for unfunded superannuation for a public sector employer are equal to the present value of defined benefit obligations less the market value of fund assets.

13.138 The increase in superannuation liability that results from employment services provided in the current period is calculated using the Projected Unit Credit Method. This method views each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. For most defined benefit superannuation schemes in the public sector, employees are required to make a regular contribution towards their own superannuation entitlements. This contribution reduces the current cost of the scheme to the employer.

PART J - THE DIFFERENCE BETWEEN GOVERNMENT TAXES AND GOVERNMENT FEES FOR SERVICES

13.139 It is important to know the differences between government taxes and fees for services rendered so that the correct classification of government revenue may be derived. Box 13.5 below describes the differences between a government tax and a government fee for services:

Box 13.5 - Taxes vs Fees for Service in GFS

One of the regulatory functions of governments is to prohibit the ownership or use of certain goods or the pursuit of certain activities, unless specific permission is granted by issuing a licence or other certificate for which a fee is demanded. To decide whether such a fee constitutes *taxation revenue* (ETF 1111) or a component within the category of *sales of goods and services* (ETF 112) the following recommendations apply:

Fee payments are recorded as taxation revenue when:

The government unit performs little or no work in return for payment (such as performing a check of the legal capacity of an applicant of a permit to confirm the applicant has not been convicted of a crime). Examples of this are:

- A licence or a permit is automatically granted by the government as a mandatory condition to perform an activity or acquire an asset.
- The payer of the levy is not the receiver of the benefit, such as a fee collected from slaughterhouses to finance a service provided to farmers.
- The government is not providing a specific service commensurate with the levy (even though a licence may be issued to the payer), such as a hunting, fishing, or shooting licence that is not accompanied by the right to use specific government owned natural resources. Other examples include dog registration, marriage licences, payments by persons or households for licences to own or use vehicles (such as the renewal of a drivers' licence), boats or aircraft;
- The benefits are received only by those paying the fee but the benefits received by each individual may vary in proportion to the payments, such as a milk marketing levy paid by dairy farmers and used to promote the consumption of milk;
- If beneficiaries cannot opt out of a compulsory scheme (such as fees paid to government for deposit insurance and other guarantee schemes if they are compulsory), if the payment is clearly out of proportion to the service provided, if the payment is not set aside in a fund, or if it can be used for other purposes.
- In certain circumstances it may be conceptually justifiable to split the payment into a revenue generation and a full cost recovery component, therefore treating a portion of the payment as the sale of goods and services and the remaining portion as a tax. It may be appropriate to adopt this treatment in situations where a product of measurable benefit is provided to the payer and the case is economically significant.

Fee payments are recorded as the sale of goods and services when:

- The issuing of a licence or permit involves a proper regulatory function of the government by exercising control on the activity, checking the competence or qualifications of the persons concerned, etc. Examples include the assessment process involved with the application of a drivers' licence, pilot’s licence, television broadcast licences, radio licences, firearm licences, and payments for airport fees, court fees, etc.

Source: Based on paragraphs 5.73 and 5.74 International Monetary Fund Government Finance Statistics Manual , 2014

PART K - THE TREATMENT OF EXPENDITURE VERSUS EXPENSE IN GFS

13.140 In the IMF GFSM 2014, the term expenditure is used primarily in the context of the statement of operations and the statement of sources and uses of cash. The term expenditure has been reintroduced to GFS by the IMF after being omitted in the IMF GFSM 2001, and is a concept that should not be confused with the term expense. Expenditure is calculated as the sum of GFS expenses and the net acquisition of non-financial assets whereas expenses are defined as decreases in net worth resulting from a transaction. In Australian GFS, the term expenditure is not used in the context of the statement of operations or the statement of sources and uses of cash. The conceptual difference between expenditure and expense is highlighted in Diagram 13.5 below.

Diagram 13.5 - The difference between expenditure and expenses in GFS

GFS Expenses	GFS Expenditure
Decreases in net worth resulting from transactions	GFS Expenses *plus* Net acquisition of non financial assets

PART L - THE TREATMENT OF TAX REFUNDS AND TAX CREDITS IN GFS

13.141 In GFS, it is important to understand the difference in the treatment of tax refunds and tax credits. Box 13.6 below describes the differences between the treatment of tax refunds and tax credits in GFS:

Box 13.6 - The treatment of tax refunds and tax credits in GFS

Tax refunds

- Tax refunds are defined as adjustments for overestimation of taxes payable, or the return of excess amounts to taxpayers due to overpayments of tax paid. Tax refunds are attributed to the period in which the event occurred that generated the over assessments or overpayments and are recorded as a reduction in the appropriate tax category. However, a timing adjustment is made in cases where it is not possible to identify the over-assessment or overpayment of tax, and is recorded at the time when the need for the adjustment is identified. In the case of value-added taxes such as GST, taxpayers other than final consumers are allowed a refund of taxes paid on purchases. Even if this refund exceeds the taxes payable by an individual taxpayer, the net refund is recorded as a reduction in that category of tax.

Tax credits

- Tax relief measures are defined as incentives that reduce the amount of tax owed by an institutional unit. Tax relief measures can take the form of tax allowances, tax exemptions, tax deductions, or tax credits. Under the Australian taxation structure, tax allowances, tax exemptions and tax deductions are subtracted from taxable income before the tax liability is calculated and are therefore not recorded for GFS purposes. However, tax credits differ in that they reduce the actual amount of tax owed. Tax relief measures reduce the taxes receivable from the taxpayer and therefore reduces government tax revenue. Tax relief measures should be recorded as a reduction in the relevant tax category.

- Tax credits are defined as amounts subtracted directly from the tax liability due for payment by the beneficiary household or corporation after the tax liability has been computed. Tax credits may be granted by governments to assist low income earners or disadvantaged taxpayers, or to promote a specific behaviour such as the use of bio diesel or ethanol rather than leaded petrol for heavy vehicles in the transport industry.

- Tax credits may be payable or non-payable in nature. Where a tax credit is limited to the size of the tax liability of the individual or entity, it is said to be non-payable. Non-payable tax credits have the same effect on government accounts as tax allowances, deductions and exemptions in that they reduce the revenue of the government by reducing the tax liability of the taxpayer. Where a tax credit is not limited to the size of the tax liability, it is said to be a payable tax credit. Payable tax credits result in an expense to the government as they are required to pay out the excess amount of tax credit over the tax liability of a taxpayer.

- In GFS, payable tax credits are recorded on the gross basis, with the total amount of tax receivable recorded as *taxation revenue* (ETF 111) and the total amounts due as payable tax credits recorded as an expense as part of *current transfers expenses not elsewhere classified.* (ETF 1259). Payable tax credits are often not connected with the assessment of the taxable event and should be shown as a current transfer classified according to the purpose of the credit and the nature of the recipient. The current transfer should be treated as:

    - Other subsidies on production (ETF 1253) - if the payable tax credit is paid to a producer unit on the basis of their level of production activities or quantities, or values of the goods and services they produce, sell, export or import;

    - Current monetary transfers to households (ETF 1254) - where a payable tax credit is paid to households with the intention to provide for the needs that arise from certain events or circumstances; and

    - Current transfer expenses not elsewhere classified (ETF 1259) - if a payable tax credit is such that it could not be included in the other current transfer expense categories.

- Tax credits differ to franking credits on dividends earned via franked or partially franked shares held by shareholders of a corporation. Under imputation systems of corporate income tax, shareholders holding franked or partially franked shares are wholly or partially relieved of their liability for an income tax on dividends paid by the corporation out of income or profits liable to corporate income tax. This is because the income tax has already been paid at the corporate level for holders of franked or partially franked shares. Under Australia's imputation system, income tax is not paid again on franked dividends at the individual level since it has already been paid at the corporate level. Tax relief in the form of franking credits are attributed to holders of franked or partially franked shares. If the franking credit on franked dividends exceeds a shareholder's total tax liability, then the excess may be payable by the government to the shareholder and is recorded as a negative tax rather than expense.

Source: Based on paragraphs 5.27, 5.28, 5.31, 5.44, International Monetary Fund Government Finance Statistics Manual, 2014.

PART M - THE TREATMENT OF TAXES THAT SHARE CHARACTERISTICS WITH *TAXES ON PROPERTY* (ETF 1111, TC 3)

13.142 Paragraph 5.54 of the IMF GFSM 2014 states that while sharing certain characteristics with *taxes on property* (ETF 1111, TC 3), certain taxes should be classified elsewhere. Box 13.7 below gives guidance on where these taxes should be classified:

Box 13.7 - Taxes that share characteristics with *taxes on property* (ETF 1111, TC 3) but should be classified elsewhere

- **Taxes on immovable property that are levied on the basis of a presumed net income should be recorded as taxation revenue under the appropriate category within *taxes on income, profits, and capital gains* (ETF 1111, TC 1).**
- **Taxes on the use of property for residence, where the tax is payable by either proprietor or tenant and the amount payable is a function of the user's personal circumstances (such as net income or the number of dependents), should be recorded as taxation revenue under the appropriate category within *taxes on income, profits, and capital gains* (ETF 1111, TC 1).**
- **Taxes on construction, enlargement, or alteration of all buildings, or those whose value or use density exceeds a certain threshold, should be recorded in taxation revenue as *other taxes on the use of goods and performance of activities not elsewhere classified* (ETF 1111, TC 539).**
- **Taxes on use of one's own property for special trading purposes (such as selling alcohol, tobacco or meat), should be recorded in taxation revenue as *other taxes on the use of goods and performance of activities not elsewhere classified* (ETF 1111, TC 539).**
- **Taxes on exploitation of natural resources such as land and subsoil assets not owned by government units (including taxes on extraction and exploitation of minerals and other resources), should be recorded in *goods and services tax (GST)* (ETF 1111, TC 412). Payments to a government unit as the owner of land and subsoil assets for the exploitation of such natural resources (often referred to as royalties), should be recorded in *land rent income* (ETF 1134) or *royalty income* (ETF 1135). Payments for licences that allow the beneficiary to carry out the business of exploitation of land and subsoil assets are classified in *other taxes on use of goods and performance of activities not elsewhere classified* (ETF 1111, TC 539).**
- **Taxes on capital gains resulting from the sale of property are recorded as *capital gains tax on individuals* (ETF 1111, TC 114, SDC) or *capital gains taxes on enterprises* (ETF 1111, TC 123, SDC).**

Source: Based on paragraph 5.54, International Monetary Fund Government Finance Statistics Manual, 2014.

PART N - THE TREATMENT OF RENT IN GFS

13.143 Rent is defined as the revenue receivable by the owners of a natural resource (the lessor or landlord) for putting the natural resource at the disposal of another institutional unit (a lessee or tenant) for use of the natural resource in production. Paragraph 5.122 of the IMF GFSM 2014 states that rent receivable is typically related to a resource lease on land, subsoil resources and on other natural resources where the legal owner of a natural resource that is considered to have an infinite life makes it available to a lessee in return for a regular payment recorded as property income and described as rent.

13.144 The term rent income should not be confused with the term rental income which is the income earned from the leasing of produced assets such as buildings or equipment. Paragraph 5.131 of the IMF GFSM 2014 indicates that rentals are payments made under an operating lease for the use of a non-financial produced asset belonging to a unit where the owner maintains and makes the non-financial produced asset available to lessees. Rentals on buildings or other produced (or fixed) assets are recorded as *sales by market establishments* (ETF 1121, COFOG-A, SDC) for PNFC and PFCs, and as *incidental sales by non-market establishments* (ETF 1123, COFOG-A, SDC) for others. In contrast, rent is revenue receivable by owners of natural resources for placing these assets at the disposal of other units. Paragraph 5.124 of the IMF GFSM 2014 notes that rent income excludes payments receivable when the owner of the natural resource (except subsoil assets) permits the resource to be used to extinction, or if they allow the resource to be used for an extended period of time in such a way that the control over the use of the resource changes from the owner to the user. If the control over the natural resource changes, then an asset should be recorded by the user of the resource under *intangible non-produced assets not elsewhere classified* (ETF 4114, NFAC 329, COFOG-A). In GFS, two types of rent income are recorded: land rent income (ETF 1134, SDC) and royalty income (ETF 1135, SDC).

PART O - THE TREATMENT OF GOVERNMENT PAYMENTS TO NPIS AND PUBLIC CORPORATIONS

13.145 Because of the number of payments that a government makes to non-profit institutions (NPIs) and public corporations as part of the ordinary function of government, it can sometimes be difficult for compilers of GFS to establish whether a government payment should be classified as an unrequited transfer under *current grant expenses* (ETF 1251, COFOG-A, SDC) or *capital grant expenses* (ETF 1261, COFOG-A, SDC), or as the purchase of a good or service on behalf of households under *social benefits to households in goods and services* (ETF 1232, COFOG-A, SDC). The following indicators have been established to assist in the correct classification of government payments to NPIs and public corporations.

Evidence of an exchange of value

13.146 To determine whether a payment by government should be classified as a government purchase, there needs to be reciprocity as part of the transaction entered into, that is, there needs to be an exchange of value as part of the transaction. If there is no exchange of value, then this may be an indicator that the government payment may be an unrequited transfer of funds, and may be classified under the appropriate category in *current grant expenses* (ETF 1251, COFOG-A, SDC); or *capital grant expenses* (ETF 1261, COFOG-A, SDC). If the government receives something of value in exchange for the provision of an asset (usually cash), then this may be an indicator that the transaction is the purchase of a good or service and may be classified under *social benefits to households in goods and services* (ETF 1232, COFOG-A, SDC). Evidence of an exchange of value may be demonstrated by the following:

- The payment is based on a government contract that:
  - I. Specifies prices, production quantities or other performance criteria; and
  - II. Has a pre-specified acquittal process.
- The government contracts are contestable (eg. providers compete to win the contract).
- A tax invoice was issued to the government.
- The government agency making the payment is accountable to government for the outcomes of the expenditure.

13.147 Not all elements of the criteria above need to exist to establish evidence of the exchange of value and no single element is sufficient evidence (for example, there are many supply contracts that are not contestable). The classification of some government payments may require judgement, and may be made on balance to determine whether an exchange of value has taken place or if an unrequited transfer exists.

Application of the market / non-market test to recipients of government payments

13.148 To determine whether a government payment should be treated as the payment of a transfer under *current grant expenses* (ETF 1251, COFOG-A, SDC); or *capital grant expenses* (ETF 1261, COFOG-A, SDC), or *social benefits to households in goods and services* (ETF 1232, COFOG-A, SDC), please refer to the discussion on market / non-market operators in paragraphs 2.34 to 2.42 of this manual.

Economically significant prices

13.149 To be considered a market producer, a unit must provide all or most of its output to others at prices that are economically significant. Economically significant prices are prices that have a significant effect on the amounts that producers are willing to supply and on the amounts purchasers wish to buy. These prices normally result when:

- The producer has an incentive to adjust supply either with the goal of making a profit in the long run or, at a minimum, covering capital and other costs; and
- Consumers have the freedom to purchase or not purchase and make the choice on the basis of the prices charged.

Cost Recovery

13.150 To determine whether the unit is a market or non-market producer, it is necessary to examine the recoverability of a unit's production costs as a percentage of their sales. This will reveal whether the unit can only cover the majority of their production costs through the receipt of government transfer payments in the form of grants or subsidies (indicating the unit may be a non-market operator), or whether the level of sales and prices charged is sufficient to meet the majority of its production costs (indicating the unit may be a market producer).

13.151 Paragraph 2.74 of the IMF GFSM 2014 defines production costs as the sum of intermediate consumption, compensation of employees, consumption of fixed capital and [other] taxes on production. Further, if the unit is to be treated as a market producer, a return on capital is included in the production costs. Subsidies on production are not deducted.

13.152 The Australian GFS follows the definitions of market and non-market operators contained in the *Standard Economic Sector Classifications of Australia* (SESCA) *2008 (Version 1.1)* (ABS cat. no. 1218.0). The SESCA further indicates that the economic behaviour of non-market operators is influenced by the receipt of material financial support in the form of transfers such as grants and donations.

13.153 ABS determines the recipients of government payments to be market or non-market operators on a case by case basis. Cost recovery is one of the indicators used by the ABS to determine whether a unit is a market or non-market operator, and is often (but not always) the primary indicator. For further discussion on the market / non-market operators, see paragraph 2.34 to 2.42 of this manual.

Assessment of the nature of all government payments

13.154 To determine whether a government payment should be treated as the payment of a transfer as *current grant expenses* (ETF 1251, COFOG-A, SDC); or *capital grant expenses* (ETF 1261, COFOG-A, SDC), or *social benefits to households in goods and services* (ETF 1232, COFOG-A, SDC), it is necessary to examine the nature of all payments commonly referred to by Australian state and territory treasuries and the Department of Finance as community service obligations by government.

13.155 Community service obligations are payments made by governments to deliver specific community services at below cost or no cost to final consumers or industry regardless of variations in the cost of supply. By examining the nature of these payments, evidence of an exchange of value may be determined and the payment can be correctly classified as either *current grant expenses* (ETF 1251, COFOG-A, SDC); *capital grant expenses* (ETF 1261, COFOG-A, SDC); or as the purchase of a good or service under *social benefits to households in goods and services* (ETF 1232, COFOG-A, SDC).

13.156 Any payment by a general government unit to an non-profit institution (NPI) or to another government unit needs to be examined using the guidance set out in this chapter to determine if the payment is a purchase of goods or services on behalf of households, or an unrequited transfer. In the case of NPIs, if the payments received from government are considered to be government purchases, and these payments account for a considerable proportion of the unit's revenue, then the unit should be classified as a private market producer.

PART P - THE BOUNDARY BETWEEN USE OF GOODS AND SERVICES AND TRANSFERS

13.157 In GFS, all transfers to other institutional units are recorded as either current transfers or capital transfers. This relates to goods and services provided to other institutional units by a donor government unit other than goods and services produced by the donor government unit. Paragraph 6.37 of the IMF GFSM 2014 indicates that such transfers may consist of the transfer of public sector owned non-financial produced assets, the transfer of goods held in inventories, the construction of non-financial produced assets, or the purchase and subsequent transfer of either non-financial produced assets or goods and services for current consumption. Examples include transfers of food, clothing, blankets, and medicines as emergency aid after natural disasters; transfers of machinery and other equipment; the direct provision of the construction of buildings or other structures; and transfers of military equipment of all types.

13.158 However, paragraph 6.38 of the IMF GFSM 2014 states that goods and services used by a donor public sector unit to produce non-market goods and services consumed by other units are included in *use of goods and services* (ETF 1233). An example of this is the goods and services acquired so that government employees can conduct relief operations in a foreign country after a natural disaster. Paragraph 6.39 of the IMF GFSM 2014 further indicates that the concept of use of goods and services also includes all goods and services consumed by a public sector unit to produce non-market goods and services that are distributed to households in particular circumstances, such as following a domestic natural disaster. However, goods and services that were not produced by the donor public sector unit, but are distributed to households in particular circumstances, are classified as *social benefits to households in goods and services* (ETF 1232, COFOG-A, SDC) rather than *use of goods and services* (ETF 1233, COFOG-A, SDC). Paragraph 6.40 of the IMF GFSM 2014 states that such distributions include transfers of goods held in inventories, the purchase and simultaneous transfer of goods and services from market producers, and the reimbursement by a general government unit for purchases by households of specified goods or services.

13.159 Paragraph 6.42 of the IMF GFSM 2014 indicates that payments made by public sector units for membership dues and subscription fees should be recorded as an expense in *use of goods and services* (ETF 1233, COFOG-A, SDC) if there is an exchange of a payment for some form of a service. This includes payments of membership dues or subscriptions to market non-profit institutions (NPIs) serving businesses, such as chambers of commerce or trade associations, since these are payments for services rendered and are not transfers. However, the following membership dues and subscription fees are not included in use of goods and services:

- In cases when there is a possibility (even if unlikely) of repayment of the residual value of the international organisation after the claims of all creditors have been met, membership dues and subscription fees are recorded as *transactions in financial assets* (*equity including contributed capital* (ETF 3111, FALC 124), (SDC).
- If the payment is unrequited, membership dues and subscription fees are recorded as *current grant expenses* (ETF 1251, COFOG-A, SDC) or *capital grant expenses* (ETF 1261, COFOG-A, SDC).

PART Q - THE BOUNDARY BETWEEN USE OF GOODS AND SERVICES AND EMPLOYEE EXPENSES

13.160 In GFS, employee expenses exclude amounts payable to contractors, self-employed outworkers, and other workers who are not employees of general government or public sector units. Paragraph 6.33 of the IMF GFSM 2014 states that any such amounts should be recorded under *use of goods and services* (ETF 1233, COFOG-A, SDC). An employer / employee relationship exists when there is a written or oral agreement (which may be formal or informal), between an entity and an individual. This type of relationship is usually entered into on a voluntary basis by both parties, whereby the person works for the enterprise in return for remuneration in cash or in kind. The remuneration is based on either the time spent at work or an other objective indicator of the amount of work performed. If an individual is contracted to produce a single specific task, it suggests that no employer / employee relationship exists, but that a service contract relationship exists between the entity and a self-employed individual.

13.161 The primary indicator of whether an employer / employee relationship exists is the presence of control in the relationship. Paragraph 6.34 of the IMF GFSM 2014 indicates that the right to control, or to direct, work performed and how it shall be performed, is a strong indication of an employer / employee relationship. The method of measuring or arranging for the payment is not important as long as the employer has effective control over both the method and the result of the work undertaken by the individual. However, certain control of the work being undertaken may also exist for the purchase of a service, for example when subcontracts are entered into. Therefore, other criteria should also be used to define more clearly the employer / employee relationship. The fact that the individual is solely responsible for social contributions would suggest that the individual is a self-employed service provider. By contrast, payments for employment related superannuation by the employer is an indication of an employer / employee relationship. Entitlement by the individual to the same kind of benefits generally provided to an entity's employees (e.g., allowances, annual leave, and sick leave) would also indicate an employer / employee relationship. Payment of taxes on the provision of services (such as GST) by the individual is an indication that the individual is a self-employed service provider.

13.162 Certain goods and services used by governments do not enter directly into the process of production itself but are consumed by employees working on that process. Paragraph 6.35 of the IMF GFSM 2014 states that when the goods or services are used by employees on their own time and at their own discretion for the direct satisfaction of their needs or wants, they constitute *wages and salaries in kind* (ETF 1222, COFOG-A, SDC). However, when such use is mandatory in order to enable employees to carry out their work, it should be recorded as *use of goods and services* (ETF 1233, COFOG-A, SDC). Examples of this are:

- Small tools or equipment (generally inexpensive in nature) used exclusively (or mainly) at work;
- Clothing or footwear of a kind that ordinary consumers do not choose to purchase or wear and which are worn exclusively (or mainly) at work; for example, protective clothing, overalls, or uniforms;
- Accommodation services at the place of work of a kind that cannot be used by the households to which the employees belong: barracks, cabins, dormitories, huts, etc.;
- Special meals or drinks necessitated by exceptional working conditions, while travelling for business reasons, or meals or drinks provided to employees while on active duty;
- Changing facilities, washrooms, showers, baths, etc., necessitated by the nature of the work; or
- First aid facilities, medical examinations, or other health checks required because of the nature of the work.

13.163 If employees are responsible for purchasing the kinds of goods or services listed above and are subsequently reimbursed by the employer, paragraph 6.36 of the IMF GFSM 2014 states that such reimbursements should be recorded as *use of goods and services* (ETF 1233, COFOG-A, SDC) rather than as wages and salaries.

PART R - THE BOUNDARY BETWEEN USE OF GOODS AND SERVICES AND THE ACQUISITION OF NON-FINANCIAL ASSETS

13.164 In GFS, the cost of inexpensive durable goods (such as small / hand tools), are recorded as *use of goods and services* (ETF 1233) when purchased regularly, and are small in value when compared with the costs incurred for the acquisition of machinery and equipment in general. Paragraph 6.43 of the IMF GFSM 2014 states that this exclusion of small / hand tools is pragmatic rather than conceptual. Some goods may be used repeatedly (or continuously), in production over many years but may nevertheless be small, inexpensive, and used to perform relatively simple operations. Hand tools such as saws, spades, knives, axes, hammers, screwdrivers, and spanners or wrenches are examples. If expense on such tools take place at a fairly steady rate and if their value is small compared with amounts payable on more complex machinery and equipment, it may be appropriate to treat the tools as materials or supplies under *use of goods and services* (ETF 1233). Goods acquired for use in own-account capital formation are classified as transactions in *own-account capital formation* (ETF 4113) as part of acquisitions of non-financial assets, with a further break down as part of *supporting information* (ETF 7) as *own-account use of goods and services* (ETF 7631). Further information on own-account capital formation can be found in Appendix 2 of this manual.

13.165 Paragraphs 6.44 to 6.49 of the IMF GFSM 2014 list the following treatments for goods and services in GFS:

- Goods and services acquired to increase inventories of materials and supplies, work in progress, finished goods, and goods for resale, are classified as inventories rather than *use of goods and services* (ETF 1233, COFOG-A, SDC). For more information on inventories, see Chapter 8 and Chapter 10 of this manual.
- Goods and services consumed in the ordinary maintenance and repair of non-financial produced assets are classified as *use of goods and services* (ETF 1233, COFOG-A, SDC). However, major renovations, reconstructions, or enlargements of existing non-financial produced assets are recorded as acquisitions of non-financial produced assets in the balance sheet. For more information on distinguishing repairs from improvements, see Chapter 8 of this manual.
- Goods and services used in research and development are recorded as transactions in non-financial assets under *acquisitions of other new non-financial assets* (ETF 4114, NFAC 141, COFOG-A, SDC). The exception is in cases where it is clear that the research and development activity does not create any future economic benefit for its owner, in which case it is recorded as an expense under *use of goods and services* (ETF 1233, COFOG-A, SDC). For information on the recognition criteria for intellectual property products, see Chapter 8 and Chapter 10 of this manual.

- Goods and services used in mineral exploration and evaluation are not recorded as *use of goods and services* (ETF 1233, COFOG-A, SDC). Whether successful or not, they are needed to acquire new reserves and so are all classified as transactions in non-financial assets under *acquisitions of other new non-financial assets* (ETF 4114, NFAC 142, COFOG-A, SDC).
- Materials to produce coins or notes of the national currency or amounts payable to contractors to produce the currency are included in *use of goods and services* (ETF 1223, COFOG-A, SDC). The issuance of the coins or notes is a financial transaction that does not involve revenue or expense. Commemorative coins that are not actually in circulation as legal tender are classified as transactions in inventories. For more information, on currency see Chapter 8 and Chapter 9 of this manual).
- Expenditures on military equipment, including large military weapons systems and armoured vehicles acquired by the police and security services, are recorded as the acquisition of the respective categories of non-financial produced assets (weapons systems or machinery and equipment). Expenditure on military goods such as single-use weapons (ammunition, missiles, rockets, bombs, torpedoes) and spare parts should be recorded as inventories until used when they are recorded as *use of goods and services* (ETF 1233, COFOG-A, SDC) and are withdrawn from inventories*.* For more information, see Chapter 8 and Chapter 10 of this manual.

Other boundary cases related to use of goods and services

13.166 Paragraph 6.50 of the IMF GFSM indicates that there is a significant conceptual difference between rentals of non-financial produced assets under an operating lease and the acquisition of an asset under a financial lease. Under an operating lease (for definition, see Chapter 8 and Chapter 10 of this manual), the lessor remains the economic owner of the non-financial produced asset and payments by the lessee are recorded as payments for a service, and therefore recorded as *use of goods and services* (ETF 1233, COFOG-A, SDC). Under a financial lease (for definition, see Chapter 8 and Chapter 9 of this manual), the lessee becomes the economic owner of the non-financial produced asset and payments are recorded as payments against a loan by the lessee to the lessor, and thus do not affect the use of goods and services.

13.167 Paragraph 6.51 of the IMF GFSM 2014 notes that amounts payable for the use of non-produced naturally occurring assets (such as land) are classified as *land rent and royalty expenses* (ETF 1283, COFOG-A, SDC) and not as *use of goods and services* (ETF 1233, COFOG-A, SDC). For the definition of land rent and royalties, see Chapter 7 of this manual.

13.168 Explicit fees for financial services are classified as *use of goods and services* (ETF 1233, COFOG-A, SDC) in GFS. However, paragraph 6.52 of the IMF GFSM 2014 indicates that some transactions include an implicit fee for financial services that is not recorded separately in GFS. These implicit fees can only be calculated in the context of an analysis of the whole of the economy or industry. As indicated in Chapter 7 of this manual, financial intermediation services indirectly measured (FISIM), are estimated indirectly by compilers of the national accounts.

PART S - RECORDING THE PRODUCTION OF NON-FINANCIAL PRODUCED ASSETS OVER TWO OR MORE ACCOUNTING PERIODS

13.169 The production of some non-financial produced assets, such as buildings and structures, often spans two or more accounting periods. Paragraph 7.37 of the IMF GFSM 2014 indicates that when a contract of sale is agreed in advance for the construction of buildings or structures over a number of accounting periods, the incomplete buildings or structures are progressively acquired in each accounting period through progress payments. The buildings or structures are classified as non-financial produced assets on the purchaser's balance sheet, with the associated total value of the building or structure recorded progressively as completion takes place. In other words, the building or structure is being sold by the construction contractor to the purchaser in stages, as the latter takes legal possession of the structure.

13.170 If the progress payments exceed the value of the incomplete asset, the excess should be recorded as *advances other than concessional loans* (ETF 8111, FALC 133, SDC) that will be exhausted as work proceeds. In the absence of a contract of sale, incomplete structures are recorded as transactions in the form of *inventories - work in progress* (ETF 4114, NFAC 212, COFOG-A, SDC), and completed structures are recorded as a transaction in the form of *inventories - finished goods* (ETF 4114, NFAC 213, COFOG-A, SDC) in the accounts of the construction contractor until ownership of the asset changes to the public sector unit. Non-financial produced assets being constructed on own-account are treated as a transaction for the acquisition of non-financial assets in the form of *own-account capital formation* (ETF 4113, NFAC, COFOG-A) with a further cost breakdown recorded as part of *own-account capital formation* (ETF 76) in the *supporting information* (ETF 7), rather than inventories of work in progress.

CHAPTER 14 - DATA SOURCES AND METHODS OF COMPILATION

PART A - INTRODUCTION

14.1 The underlying data sources for the compilation of GFS in Australia are the accounting systems supporting the financial accounts maintained by public sector entities. This accounting information is analysed, classified and rearranged on a GFS basis using the classifications set out in this manual. This chapter describes the methods the ABS employs for the collection of GFS data, and also describes the next step in data processing, namely the processes of classifying, editing and consolidating the collected data to create the statistics.

PART B - OBTAINING GFS DATA

14.2 In Australia, the financial accounts of the Commonwealth, and each state and territory government who present financial statements by institutional sectors used by the ABS are prepared in accordance with the Australian Accounting Standard *AASB 1049: Whole of Government and General Government Sector Financial Reporting*. This standard specifies the requirements for the whole of government general purpose financial statements and general government sector financial statements of each government. In GFS terms, the whole of government covers general government, public non-financial corporations and public financial corporations (i.e. the public sector) of the reporting government.

14.3 The harmonisation of the AGFS15 with the Australian Accounting Standards has assisted in the process of obtaining GFS data for Commonwealth, state and territory levels of government, and public corporations. AASB 1049 requires the principles and rules of the ABS GFS Concepts, Sources and Methods to be applied, and the disclosure of additional information such as reconciliations where other Australian Accounting Standards have been applied. Further discussion on the relationship with the Australian Accounting Standards can be found in Chapter 17 of this manual.

14.4 The ABS obtains the majority of quarterly and annual GFS data as electronic data files that are submitted at specified times during the fiscal year. Accounting data are mapped to a GFS basis at unit level of government by jurisdictions at the Commonwealth, and state and territory levels of government. Local government data is collected through a sample survey collection on a quarterly basis. Annual local government data is collected from financial information provided by the Departments of Local Government and this data is mapped by the ABS to the GFS framework. Data for universities and control not further defined units are collected separately. The GFS-classified data are supplied to the ABS for aggregation and further analysis. In these cases, the role of the ABS is one of assisting with GFS conversion of accounting data, coordinating the provision of data files, and editing the data before they are aggregated as GFS.

14.5 Data for some local government, public corporations and universities are not currently obtained through electronic data files. In these cases, the ABS obtains quarterly and annual financial statements manually through the dispatch of survey instruments or through the analysis of publicly available quarterly and annual financial statements. For data collected by these means the ABS performs the conversion of accounting data to a GFS basis before incorporating the data in GFS aggregates and national statistics.

PART C - THE COLLECTION CYCLE

14.6 The Australian GFS collection cycles are determined by the ABS publication programme for GFS, and the national accounting requirements for GFS data. GFS is collected in two phases:

- Quarterly GFS; and
- Annual GFS.

14.7 The first phase in the GFS collection cycle is the Government Finance Statistics, Quarterly (5519.0.55.001) which presents quarterly estimates of public sector fiscal activity for publication and for incorporation in the Australian national accounts. Two main statements are presented, The statement of operations and the balance sheet for general government sector and public non-financial corporations sector. Commonwealth and State and Territory General Government (GG), statement of operations and balance sheet data is available for all jurisdictions.

14.8 The second phase of the GFS collection cycle is the compilation of final annual GFS for general government, public non-financial corporations, public financial corporations and the total public sector for all levels of government, Commonwealth government, state / territory government, state / territory and local government, level of government control not further defined. These represent the most detailed and complete set of GFS for a fiscal year, and are based on final audited data. The final annual GFS are published in Government Finance Statistics (ABS Cat. no. 5512.0).

PART D - DATA SOURCES

14.9 The source records for GFS are available in centralised computer systems in the Commonwealth, state and territory governments. These centralised computer systems maintain accounting records for all units forming the public sector in each jurisdiction.

14.10 These electronic data files contain the accounting data for the units forming the public sector in the relevant jurisdiction. In most cases, these data have been converted to a GFS basis before being received by the ABS. However, in some cases, the ABS is required to convert the accounting data to a GFS basis for further aggregation and use in the Australian national accounts. Table 14.1 below summarises the current collection methods. It should be noted that the table refers only to primary data sources and collection methods and does not reflect supplementary use of published accounting statements for editing and verification purposes.

Table 14.1 - Summary of current GFS data sources and collection methods

			Data Sources		Collection Methods		
Level of Government	**Sector**	**Phase**	**Central**	**Individual Units**	**Electronic Data File**	**Survey Form**	**Financial Statements**
Cwlth	GG	Quarterly GFS	ALL		YES		
	PNFC			YES		YES	
	PFC		N/A	N/A	N/A		
	GG	Annual GFS	ALL		YES		
	PNFC		ALL		YES		
	PFC		ALL		YES		
State and Territory	GG	Quarterly GFS	ALL		YES		
	PNFC		Some	YES	Some	YES	
	PFC		N/A	N/A	N/A		
	GG	Annual GFS	ALL		ALL		
	PNFC		ALL		ALL		
	PFC		ALL		ALL		
Local (*)	GG	Quarterly GFS		Sampled		YES	
	PNFC			Sampled		YES	
	GG	Annual GFS	ALL	ALL	YES		YES
	PNFC			ALL			YES
Control nfd	GG	Quarterly GFS		ALL		YES	
		Annual GFS		ALL			YES

(*) The local level of government does not exist in the Australian Capital Territory

Key:
Cwlth = Commonwealth level of government
GFS = Government Finance Statistics
GG = General government
PNFC = Public non-financial corporations
PFC = Public financial corporations
Control nfd = Level of government control not further defined

PART E - DATA COLLECTIONS METHODS

14.11 The collection of GFS data occurs through the electronic transfer of data files. Where data are not available through electronic data files, GFS data is collected through the use of official ABS survey instruments and analysis of published accounting statements.

Quarterly ABS GFS

14.12 At the Commonwealth level, data for the quarterly general government sector is collected through electronic data files from the Department of Finance. Quarterly Commonwealth public non-financial corporations GFS data are collected through the use of a sample survey. Public financial corporations sector is not within scope of quarterly GFS.

14.13 At the state and territory level, quarterly general government data are collected through electronic data files for all jurisdictions. For public non-financial corporations, the quarterly GFS data is collected via a combination of electronic data files and the use of a sample survey. The first preference of the ABS is to collect GFS through administrative data extracted directly from the accounting systems of the Treasuries. Where possible data should be provided for all GG and PNFC units, however where State and territory treasuries are only able to supply data for GG units, the PNFC data is collected through sample surveys.

14.14 Quarterly GFS data for local government and universities are collected through the use of survey forms and derived from published annual reports. The first preference of the ABS is to collect GFS through administrative data extracted directly from the accounting systems of the Departments of Local Government, and universities. Where possible data should be provided for all units, however where this is not possible, data is collected through sample surveys.

Annual ABS GFS

14.15 Annual Commonwealth general government, public non-financial corporations and public corporations data are collected through electronic data files from the Department of Finance.

14.16 State and territory general government, public non-financial corporations and public corporations data are collected through electronic data files from state and territory treasuries.

14.17 The ABS works in partnership with Departments of Local Government (and their equivalents). The Departments of Local Government collect financial information through a yearly census and this information is provided to the ABS each year for incorporation in annual GFS.

14.18 Universities and other units control is not further defined where the level of unit data are collected from published annual reports or through the use of survey forms.

PART F - METHODS OF COMPILATION

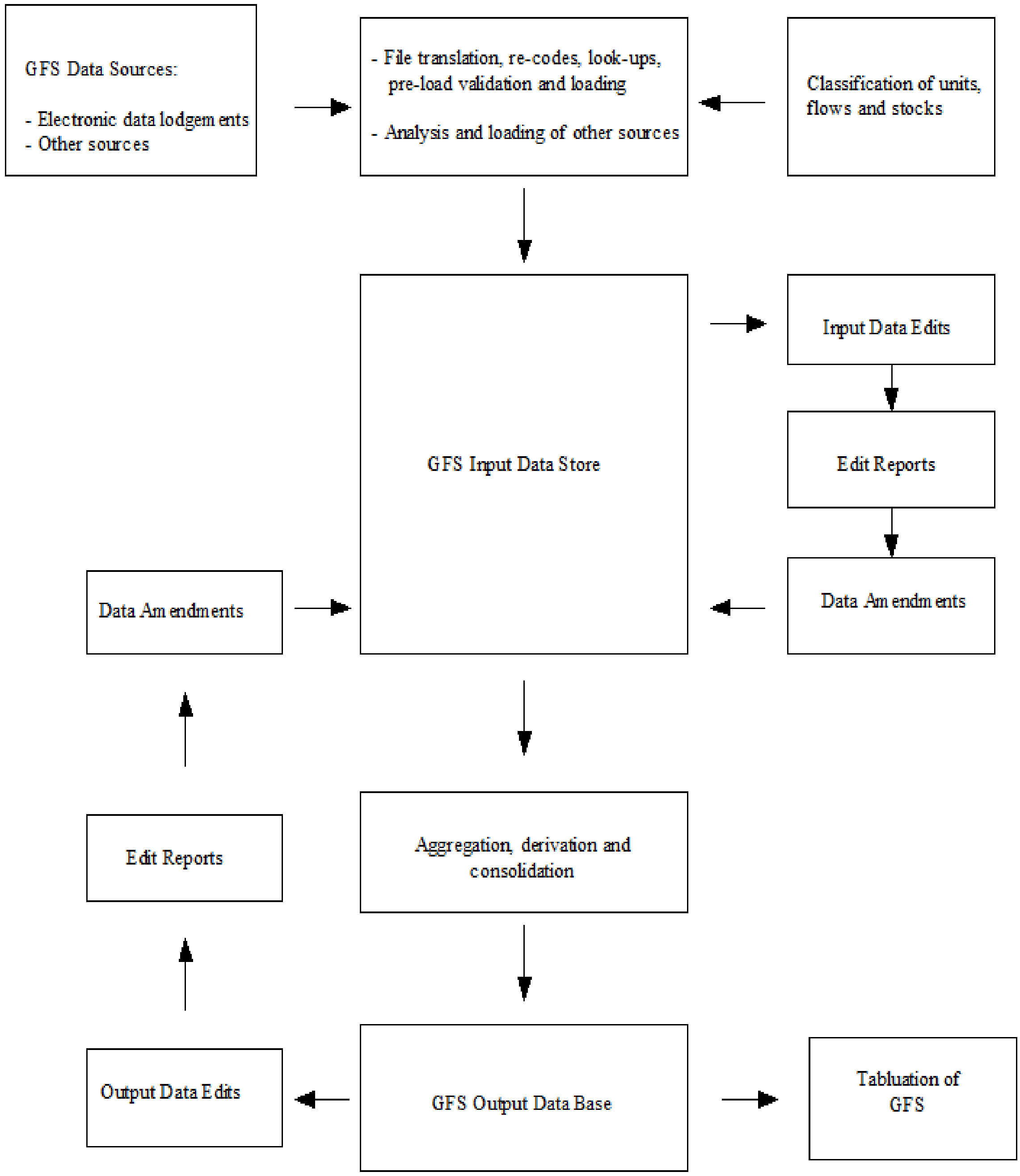
14.19 The description of the compilation methodology in this chapter is targeted more towards users of the statistics than compilers. It provides a broad overview rather than a detailed description of particular procedural or operational steps. Processes are described in logical terms that do not necessarily reflect the physical structure of the computer systems underlying the processes.

14.20 GFS compilation involves transforming the accounting data of public sector units into economic statistics. This is achieved through identification and classification of the units and analysis, classification and consolidation of economic flows and stocks recorded in the units' accounting records. The following sequence of processes is involved:

- Classification processes:
  - GFS classification of units;
  - GFS classification of flows and stocks;
- Creating an input data base containing unit level data;
- Micro editing unit level data;
- Data aggregation, consolidation and derivation;
- Macro editing the data; and
- Creating an output data base containing aggregated data (used for dissemination of the statistics).

14.21 The compilation processes apply to all GFS data phases described earlier in this chapter (i.e. quarterly GFS and annual GFS). These processes are shown in Diagram 14.1 below.

Diagram 14.1 - Schematic overview of GFS compilation process



Classification processes

14.22 The first processes in compilation involve transforming accounting data into GFS data. This begins with identifying the unit for which data are recorded, verifying that the unit qualifies as an institutional unit (as described in Chapter 2 of this manual) and applying the relevant GFS units classifications to the unit. The second major step is analysing the source data for the unit, which essentially amounts to linking the accounting records of flows and stocks of the unit to GFS flows and stocks classifications.

Application of GFS units classifications

14.23 As described in Chapter 2 of this manual, the main GFS unit classifications are Level of government (LOG), Jurisdiction (JUR), and Institutional sector (INST).

14.24 Unit classifications are first applied at the time a unit comes into the coverage of GFS. This usually happens when a unit is created by a government in Australia, or when an existing unit is split to form more than one unit or is combined with another unit to form a new unit. Once determined, unit classifications are reviewed only when major changes occur to the functions of the unit.

14.25 The classification process involves examining Acts of Parliaments (where applicable) and the unit's financial statements (i.e. operating statement and balance sheet). This process is intended to disclose the range of activities in which the unit engages and the legislative background to its creation. Such information is used to determine whether the unit qualifies as an institutional unit and whether it falls within the scope of GFS. The information, supplemented where necessary by information obtained directly from the unit, is used to determine the classification(s) applicable to the unit.

Application of GFS flows and stocks classifications

14.26 As discussed in Chapter 2 of this manual, the main GFS flows and stocks classification is the economic type framework (ETF). The following additional cross-classifications are applied to some ETF codes:

- Classification of the function of government - Australia (COFOG-A) - a classification of the function or purpose of transactions;
- Financial asset and liability classification (FALC) - a classification required to derive output items for stocks of financial assets and liabilities in the statement of stocks and flows;
- Non-financial asset classification (NFAC) - a classification required to derive output items for stocks of non-financial assets in the statement of stocks and flows;
- Source / destination classification (SDC) - a classification that identifies: (i) for each transaction, the institutional sector and level of government (where applicable) of the unit (including non-government units) from which revenues are receivable (the source) or to which expenses are payable (the destination); and (ii) for each financial asset, the institutional sector and level of government of the unit against which the financial claim represented by the asset is held. The codes are used in the consolidation process and for producing output (e.g. grants to public non-financial corporations) that requires identification of the sector of the counterparties to transactions and stocks; and
- Taxes classification (TC) - a classification required to produce taxation revenue data classified by type.

14.27 For the purpose of applying the classifications, ETF codes are grouped in the following categories. Note that the items included in each of the below classification components are explained in Chapter 5, Chapter 8, Chapter 11, Chapter 12, Appendix 1 Part A and Appendix 1 Part B of this manual and are not discussed in detail here:

- Statement of operations items - input items required to derive output items in the operating statement;
- Statement of sources and uses of cash items - input items required to derive output items in the cash flow statement;
- Supplementary information - items of statistical interest that are not within the scope of the core GFS statements (e.g. a detailed breakdown of own-account capital formation).

- Intra-unit transfers - input items identifying flows within a unit (e.g. transfers to reserves, certain provisions) other than revaluations and accrued transactions such as depreciation. Flows within a unit appear in accounting records and must be recorded in the system to ensure that a balance of debits and credits is maintained in the unit's data. The flows cancel out in output. Revaluations and accrued transactions within units are required in output and so are not identified as intra-unit transfers;
- Balance sheet items - input items required to derive output items for stocks of financial assets, liabilities and equity in the balance sheet and statement of stocks and flows.

14.28 Application of the flows and stocks classifications involves examining flow and stock items recorded in a unit's accounting records and entering against each item the appropriate classification code(s) from each of the relevant classifications. A single item may have several codes entered against it. For example, an expense item will carry (at least) an ETF code to indicate the type of expense, an SDC code to indicate the destination code of the expense outflow, and a COFOG-A code to indicate the government purpose of the expense.

14.29 The classification process is applied initially to all flows and stocks of new units and to new flows and stock items of existing units. The process may also be re-applied to existing items that have changed description from the previous period, or have changed in value significantly and are suspected to have changed content.

Input of data for GFS processing

14.30 The next step in compiling the statistics is loading and editing the analysed data into the GFS processing system. Data are loaded by electronic processes or by manual intervention and are edited directly on the GFS input database. The electronic file supplied by each Treasury contains accounting data for each unit and contains data item descriptions as they appear in source records, the data (values) for each item in each period, and the GFS classifications for each item.

14.31 The purposes of the input data base are to:

- store up-to-date unit-level data; and
- serve as the source for the output data base.

Micro editing

14.32 Micro editing involves applying pre-specified edits to unit level data. The edits performed are unit edits, intra-sector edits and aggregate edits, each of which is described below. The process involves passing the unit data through editing programs, producing error reports, and making amendments to obtain a 'clean' data file.

Edits on units

14.33 Three main types of unit edits are applied in the system:

- Classification edits,
- Account balance edits, and
- Subtotalling edits.

14.34 Classification edits are edits designed to check the validity of the GFS classification codes assigned to flows and stocks. Four types of classification edits are applied:

- Legality edits - these check that the unit and flows and stocks classification codes allocated actually exist in the classifications concerned;
- Code combination edits - these check whether the combination of classification codes applied to each flow and stock item is valid within the GFS system;
- Code existence edits - these check that where a given classification code has been allocated to a flow or stock item, codes from all of the relevant other classifications that are associated with that item have also been allocated; and
- Level of coding edits - these check that the prescribed minimum level of coding has been observed.

14.35 Account balance edits are edits to check that the values for data items have been correctly entered, that data are not duplicated, and that data items entered into the system for each unit account for all items in that unit's source records.

14.36 As discussed previously (see Chapter 3 of this manual) under the double-entry convention, revenues, decreases in assets, and increase in liabilities and equity are treated as credits (Cr), and expenses, increases in assets, and decreases in liabilities and equity are treated as debits (Dr). Credits are stored in the GFS system with a negative sign and debits with a positive sign. The account balance edit checks that the total of debits for a unit equals the total of credits.

14.37 To help locate account balance errors within a unit, data items are divided into balance groups for assets, liabilities, revenues and expenses. The system checks that the accounting identity, Assets = Liabilities + Net Worth, is satisfied.

14.38 Subtotalling edits are used with account balance edits to pinpoint balancing errors within a unit. These edits are used whenever a set of data items should sum to a subtotal and where a set of subtotals should add to a control total.

Intra-sector edits

14.39 Intra-sector edits are performed in order to identify flow (and stock) imbalances, using the SDC code assigned to most GFS items. The SDC identifies the source of the funds if a transaction is an operating revenue or a cash receipt, and the destination of the funds if the transaction is an operating expense or a cash payment. For balance sheet items the asset SDC identifies the sector in which the asset is held and the liability SDC identifies the sector to which the liability is owed.

14.40 Identifying and reconciling flow imbalances is necessary in order to achieve reasonably accurate consolidated results. However, not all flow imbalances can be resolved within GFS publication deadlines which means that the remaining imbalances contribute to the non-additivity of GFS measures across sectors and levels of government. A different approach is taken for other users of GFS. For example, because the national accounts and international bodies such as the IMF and the OECD require 'balanced' GFS output, adjustments are made to force both sides to align based on an accepted order of precedence, e.g. Commonwealth figures take precedence over lower levels of government, state figures take precedence over local etc. This process is called 'flow balancing' and is only applied to GFS data that feeds into the national accounts, and GFS data supplied to the IMF and OECD.

Aggregate edits

14.41 Aggregate edits are applied after unit and intra-sector edits have been completed and resultant amendments made. These edits generally involve checking period to period changes in aggregates relating to the main GFS classifications.

14.42 The purpose of the edits is to identify any significant or unusual movements in important aggregates (e.g. expenses, net acquisition of non-financial assets, revenues, debt) so as to provide a check on the consistency of coding.

Data aggregation, derivation and consolidation

14.43 When micro editing has been completed, aggregation, derivation and consolidation processes are undertaken. During this phase, the unit information is no longer relevant and so is removed. The resulting data are classification and sector based.

14.44 These processes are summarised below:

- The aggregation of records with identical classification combinations;
- The derivation of items not collected;
- Consolidation, i.e. the elimination of flows within and between sectors;
- Estimation for uncollected or missing data; and
- The creation of a classification and sector-based output data store.

14.45 The aggregation step involves summing records with identical classifications within each of the output sectors (listed in Table 14.1). This step results in the generation of unique aggregated lines, i.e. there are no duplicates in the final data store.

14.46 Deriving special output data items involves creating, in unit records of general government and public non-financial corporations, those items required specifically for the Australian national accounts. Because no direct sources of data exist for these items, they are derived by applying selected ratios to the relevant aggregates. The ratios are obtained from external data (e.g. Commonwealth employment by state).

14.47 The consolidation process eliminates the flows and stock holdings that occur between units for each unique aggregate. It is the process whereby the two sides of the same transaction or stock holding are matched and eliminated to avoid double counting. Consolidation ensures assets, liabilities and transactions are correctly presented at the sector level. Consolidation is further discussed in Chapter 3 of this manual.

14.48 Estimation and imputation are the processes of generating data not collected and are relevant only for quarterly GFS where, due to time and cost constraints, some items are not collected and smaller units are not approached.

14.49 The creation of the output data store is the process of moving the disaggregated data from the unit-based input store to an aggregated and consolidated output store, formatted to enable the efficient production of GFS outputs.

Macro editing

14.50 While unit and intra-sector edits (the micro edits) check that (i) the classifications applied are legal; (ii) the accounts balance; and (iii) flows between units are reconciled, these edits cannot establish that the correct values have been recorded. For this reason, another level of editing (macro editing) is carried out prior to releasing the statistics. Macro editing involves looking at the final results of the above processes to see if they are consistent with expectations given current government policies and economic conditions.

14.51 The first step in macro editing involves examining trend, revision and relationship edits to identify and correct errors. GFS tables are then examined to compare data trends and movements in GFS aggregates and GFS bottom-line measures with data published in Budget documents and other public sector financial reports.

14.52 Significant variations in trend, identified in percentage and/or in dollar value terms, are the main triggers for suspecting errors in output. However, the type of transaction must be taken into account. For example, because of their volatility, large or unusual movements in capital expenditures might be less likely to indicate a possible error than movements of similar magnitude in current expenditures. Nevertheless, significant movements are investigated to determine their cause and validity. Investigation involves retrieval of the unit record data and, if necessary, raising a query with the authorities responsible for supplying the data.

14.53 Relationships between aggregates are also examined. For example, increased borrowings generally lead to increased interest payments in subsequent periods. Thus, if marked increases in borrowings are not followed by commensurate increases in interest expenses, both the borrowings and the interest data are investigated.

14.54 Macro editing also aims to ensure that the statistics reflect the impact of changes in governments' policies and overall trends in public sector finances. Current knowledge of changes in government policy, economic conditions and public sector finance issues is obtained from budget papers and press releases.

14.55 Where incorrect data are identified as a result of macro editing, the input data are corrected and a revised output store created to ensure that both stores remain consistent at the aggregate level.

14.56 Before aggregate data can be published or released outside the ABS in any form, they must be checked to ensure that they do not disclose any information that is confidential under the provisions of the Census and Statistics Act 1905.

PART G - DATA CONFIDENTIALITY

14.57 All ABS statistics are collected under the *Census and Statistics Act,1905*. In accordance with the rules concerning confidentiality and the disclosure of aggregate statistics prescribed under the Act, the ABS cannot publish or disseminate statistics in a manner that is likely to enable the identification of a particular person or organisation.

14.58 All ABS data are subject to a confidentiality process before release. This confidentiality process is undertaken prior to the release of each ABS publication to avoid publishing information which may allow the identification of particular individuals, families, households, dwellings, businesses, general government units, PNFCs, PFCs and others, without impairing the usefulness of the tables.

14.59 Because of the small number of units in the Commonwealth public non-financial corporations sector and the public financial corporations sector under current practice, the ABS is required to seek written consent from the individual units to release their data in ABS GFS publications in accordance with the *Census and Statistics Act,1905*. Where consent is not received from an individual unit, some output data units are suppressed in the published GFS where it is deemed possible that a third party could otherwise identify information about the particular organisation.

14.60 Although ABS GFS is published in aggregate form, sometimes there are events such as the sale or purchase of a government asset or particular policy decision that may impact the aggregated numbers significantly, which could lead to the identification of the units involved in the event. In cases where it is possible to identify the unit or event through the movements in the aggregated numbers, the relevant data cell is suppressed in the published tables, as are any other data cells that may lead to the derivation of the figures contained in the relevant data cell.

CHAPTER 15 - DATA OUTPUT

PART A - INTRODUCTION

15.1 ABS GFS are disseminated from the output data base, which is edited and updated after each collection phase. Dissemination is undertaken in the form of electronic publications on the ABS website *(www.abs.gov.au),* and the provision of more detailed or tailored data from the data base is available by request (subject to ABS confidentiality provisions). These non-publication forms of dissemination are described collectively as 'special data services', and a cost is charged by the ABS for this information. This chapter describes the statistical output of the ABS GFS system and the methods by which it is disseminated.

PART B - TYPES OF OUTPUT

15.2 The main types of output available from the ABS GFS system are described below.

Preliminary - quarterly GFS

15.3 Quarterly statistics are primarily compiled to provide data about general government and public non-financial corporations for inclusion in the quarterly national accounts. The quarterly statistics are published in *Government Finance Statistics, Australia, Quarterly* (ABS Cat. no. 5519.0.55.001).

Final data - annual GFS

15.4 These statistics are the final data for a given year and are compiled from audited data sources. The annual statistics are published in *Government Finance Statistics, Australia, Annual* (ABS Cat. no. 5512.0).

Specialised topic output

15.5 Specialised topic output refers to statistics presented in single-topic publications. At the present time the ABS publish two specialised topic GFS publications, which relate to taxation revenue and education. These annual statistics are published in *Taxation Revenue, Australia,* (ABS Cat. no. 5506.0) and *Government Finance Statistics, Education, Australia*, (ABS Cat. no. 5518.0.55.001).

Time series

15.6 The ABS GFS system's outputs (including specialised topic output) are generally stored as annual time series on the ABS website. Some GFS data are available back to 1961–62. However, due to the move of GFS from a cash basis of accounting to an accrual basis of accounting in 1998–99, earlier GFS data are not directly comparable.

15.7 The main GFS aggregates (on a national accounts basis) are available as a quarterly time series back to 1959-60.

PART C - THE MAIN STATEMENTS

15.8 For publication purposes, the GFS framework is divided into a number of separate statements, each of which focuses on analytical aggregates or balances of particular user attention. These statements are the:

- Statement of operations;
- Statement of sources and uses of cash,
- Balance sheet;
- Statement of stocks and flows;
- Statement of total changes in net worth;
- Summary statement of explicit contingent liabilities and implicit contingent liabilities;
- Stocks and flows of financial assets and liabilities by source;

- Gross public sector debt at market value by level of government subsector;
- Net public sector debt at market value by level of government subsector; and
- Debt instruments at market value by maturity.

15.9 A brief description of the structure of these statements is provided below.

The statement of operations

15.10 The statement of operations 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. 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 statement of operations and the main relationships within it are provided in Table 15.1 below.

Table 15.1 - The statement of operations (outline)

Transactions affecting net worth:	**$**
Revenue	
Taxation revenue	
Current grants and subsidies	
Sales of goods and services	
Interest income	
Dividend income	
Other revenue	
Total	
Expenses	
Gross operating expenses	
Depreciation	
Employee expenses	
Other operating expenses	
Total	
Nominal superannuation interest expenses	
Other interest expenses	
Other property expenses	
Current transfers	
Grant expenses to state governments	
Grant expenses to the private sector	
Grant expenses to universities	
Grant expenses to local governments	
Grant expenses not elsewhere classified	
Subsidy expenses to public corporations	
Subsidy expenses to other	
Other current transfers	
Capital transfers	
Grant expenses to public non-financial corporations	
Grant expenses to public financial corporations	
Grant expenses to other levels of government	
Grant expenses not elsewhere classified	
Other capital transfers	
Total	
Net Operating Balance	
Net investment in non-financial assets	
Gross fixed capital formation	
less Depreciation	
plus Change in inventories	
plus Other transactions in non-financial assets	
Total	
GFS Net Lending(+)/Borrowing(-)	

15.11 Two important analytical balances are derived in the statement of operations. 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.

15.12 The Net Operating Balance is a summary measure of the on-going sustainablity 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.

15.13 GFS 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.

The statement of sources and uses of cash

15.14 The statement of sources and uses of cash identifies how cash is generated and applied in the GFS. Cash is classified as arising from operating, investing and financing activities of government. An outline of the statement of sources and uses of cash is presented in Table 15.2 below.

Table 15.2 - The statement of sources and uses of cash (outline)

Cash flows from operating activities:	$
Revenue cash flows	
Taxes received	
Grants and subsidies received	
Receipts from sales of goods and services	
Interest received	
Other receipts	
Total	
Expense cash flows	
Compensation of employees	
Purchases of goods and services	
Grants paid	
Subsidies paid	
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 second-hand non-financial assets	
Total	
Expenditure cash flows	
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	
Other financing (net)	
Total	
Net change in the stock of cash	
Cash surplus (+)/Cash deficit (-)	
Supplementary information	
Acquisition of non-financial assets under finance lease	
Cash surplus (+) / Cash deficit (-) (including the acquisition of non-financial assets under finance leases.	

15.15 The statement of sources and uses of cash contains four derived items, including one key analytical balance. These are net cash inflows from operating activities; GFS Cash Surplus (+) / GFS Cash Deficit (-) (this is a key analytical balance); the net cash inflow from financing activities; and the net increase / decrease in cash held. A summary of the four derived items of the statement of sources and uses of cash can be found in Table 15.3 below.

Table 15.3 - Summary of balancing items from the statement of sources and uses of cash

Balancing item	Formula
Net Cash Inflow from Operating Activities	Revenue cash flows *minus* Expense cash flows
GFS Cash Surplus (+) / GFS Cash Deficit (-) *****This is the key analytical balance*****	Revenue cash flows *minus* Expense cash flows *minus* Net cash outflow from investments in non-financial assets
Net Cash Inflow from Financing Activities	Net incurrence of liabilities *minus* Net acquisition of financial assets in cash
Net Change in the Stock of Cash	GFS Cash Surplus(+) / GFS Cash Deficit(-) *add* Net Cash Inflow from Financing Activities

The balance sheet

15.16 The balance sheet shows assets, liabilities and GFS Net Worth. An outline of the balance sheet is presented in Table 15.4 below.

Table 15.4 - The balance sheet

Assets	$
Non-financial assets	
Non-financial produced assets	
Inventories	
Valuables	
Other produced assets	
Land	
Mineral and energy resources	
Other non-produced assets	
Total	
Financial assets	
Currency and deposits	
Advances	
Other loans and placements	
Debt securities	
Equity including contributed capital	
Other financial assets	
Total	
Total	
Liabilities	
Currency and deposits	
Advances	
Other loans and placements	
Debt securities	
Equity including contributed capital	
Provisions for defined benefit superannuation	
Provisions for other employee entitlements	
Other liabilities	
Total	
Net worth	
Memorandum items	
Concessional loans at market value	
Implicit transfers	
Total arrears	
Interest on arrears	
Non-performing loan assets at market value	

15.17 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.

15.18 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.

15.19 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.

The statement of stocks and flows

15.20 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. An outline of the statement of stocks and flows is provided in Table 15.5 below.

Table 15.5 - The statement of stock and flows

	Opening Stocks	Transactions	Revaluations	Other Volume Changes	Closing Stocks
Assets					
Non–financial assets					
Non-financial produced assets					
Inventories					
Valuables					
Other produced assets					
Land					
Mineral and energy resources					
Other non-produced assets					
Total					
Financial assets					
Currency and deposits					
Advances					
Other loans and placements					
Debt securities					
Equity including contributed capital					
Other financial assets					
Total					
Total					
Liabilities					
Currency and deposits					
Advances					
Other loans and placements					
Debt securities					
Equity including contributed capital					
Provisions for defined benefit superannuation					
Provisions for other employee entitlements					
Other liabilities					
Total					
GFS Net worth					
Net debt					
Net financial worth					

15.21 The statement of stocks and flows records the opening stocks, transactions, revaluations and other volume changes, and closing stocks of each of the categories described above. Transactions in financial assets represent acquisitions of financial assets less liquidation of such assets (e.g. debtors' repayment of the financial claims represented by the assets). Acquisition of financial assets includes making deposits of cash with financial institutions, making advances to other units of the public sector or to private sector entities, making investments in other units, and purchasing shares or making other forms of capital contribution to public and private sector corporations for policy or liquidity management purposes. Revaluations occur most often for financial assets, such as shares and securities, that are traded on financial markets or are subject to exchange rate fluctuations. Other volume changes that may have an effect on financial assets include the writing off of bad debts by a creditor. Only write-offs that are not made by mutual agreement between creditor and debtor are treated as other volume changes (those made with mutual agreement are treated as capital transfer expenses).

The statement of total changes in net worth

15.22 The statement of total changes in net worth shows the net operating balance, the change in net worth due to other economic flows, total other economic flows and the total change in net worth. An outline of the statement of total changes in net worth is provided in Table 15.6 below.

Table 15.6 - The statement of total changes in net worth (outline)

Transactions affecting net worth:	**$**
Revenue	
Expenses	
Net Operating Balance	
Change in net worth due to other economic flows:	
Financial assets	
Holding gains and losses	
Other change in the volume of financial assets	
Non-financial assets	
Holding gains and losses	
Other changes in the volume of non-financial assets	
Liabilities	
Holding gains and losses	
Other changes in the volume of liabilities	
Total other economic flows	
Total change in net worth	

15.23 The statement of total changes in net worth combines the results of the statement of operations and the statement of stocks and flows in one statement. This statement serves to highlight the total changes in net worth of government, and explains the sources of changes in assets and liabilities from one reporting period to another in terms of transactions in revenue and expense and other economic flows.

The summary statement of explicit contingent liabilities and implicit contingent liabilities

15.24 The summary statement of explicit contingent liabilities and implicit contingent liabilities record one-off guarantees, other explicit contingent liabilities not elsewhere classified, and implicit contingent liabilities. An outline of the summary statement of explicit contingent liabilities and implicit contingent liabilities is provided in Table 15.7 below.

Table 15.7 - The summary statement of explicit contingent liabilities and implicit contingent liabilities (outline)

	$
One-off Guarantees	
Publicly guaranteed debt	
Other one-off guarantees	
Total	
Other explicit contingent liabilities not elsewhere classified	
Legal claims	
Indemnities	
Uncalled share capital	
Total	
Total explicit contingent liabilities	
Implicit contingent liabilities	
Present value of implicit obligations for future social security benefits	
Other implicit contingent liabilities not elsewhere classified	

15.25 The summary statement of explicit contingent liabilities and implicit contingent liabilities records the explicit and some implicit contingent liabilities. Contingent liabilities are obligations that do not arise unless a particular, discrete event(s) occurs in the future. These contingencies create fiscal risks and may arise from deliberate public policy or from unforeseen events.

Stocks and flows of financial assets and liabilities by source

15.26 The statement of stocks and flows of financial assets and liabilities by source shows the opening balances of financial assets and liabilities, the related flows during the reporting period and the closing balances by source. The preferred valuation basis for all stocks and flows is current market prices. An outline of the statement of stocks and flows of financial assets and liabilities by source is provided in Table 15.8 below.

Table 15.8 - Stocks and flows of financial assets and liabilities by source (outline)

	Opening Stocks	Transactions	Revaluations	Other Volume Changes	Closing Stocks
Financial Assets					
Domestic					
Bank					
Currency and deposits					
Advances					
Other loans and placements					
Debt securities					
Equity including contributed capital					
Other financial assets					
Total					
Non-bank					
Currency and deposits					
Advances					
Other loans and placements					
Debt securities					
Equity including contributed capital					
Other financial assets					
Total					
Total					
Foreign					
Bank					
Currency and deposits					
Advances					
Other loans and placements					
Debt securities					
Equity including contributed capital					
Other financial assets					
Total					

Non-bank					
Currency and deposits					
Advances					
Other loans and placements					
Debt securities					
Equity including contributed capital					
Other financial assets					
Total					
Total					
Liabilities					
Domestic					
Bank					
Currency and deposits					
Advances					
Other loans and placements					
Debt securities					
Equity including contributed capital					
Provisions for defined benefit superannuation					
Provisions for other employee entitlements					
Other liabilities					
Total					
Non-bank					
Currency and deposits					
Advances					
Other loans and placements					
Debt securities					
Equity including contributed capital					
Provisions for defined benefit superannuation					
Provisions for other employee entitlements					
Other liabilities					
Total					
Total					
Foreign					
Bank					
Currency and deposits					
Advances					
Other loans and placements					
Debt securities					
Equity including contributed capital					
Provisions for defined benefit superannuation					
Provisions for other employee entitlements					
Other liabilities					
Total					
Non-bank					
Currency and deposits					
Advances					
Other loans and placements					
Debt securities					
Equity including contributed capital					
Provisions for defined benefit superannuation					
Provisions for other employee entitlements					
Other liabilities					
Total					
Total					

15.27 The statement of stocks and flows of financial assets and liabilities by source shows the opening balances, transactions, revaluations and other economic flows, and the closing balances of financial assets and liabilities by source. The source consists of a split between domestic bank or non-bank financial assets and liabilities; or foreign bank or non-bank financial assets and liabilities.

Gross public sector debt at market value by level of government subsector

15.28 Gross public sector debt at market value by level of government subsector presents debt instruments on the gross basis at their current market value, and by level of government subsector. An outline of gross public sector debt at market value by level of government subsector is provided in Table 15.9 below.

Table 15.9 - Gross public sector debt at market value by level of government subsector (outline)

	Commonwealth general government	**Total general government sector**	**Total public non-financial sector**	**Total public sector**
Debt securities				
plus Loans				
Equals D1				
plus SDRs				
plus Currency and deposits				
Equals D2				
plus Other Accounts payable				
Equals D3				
plus Insurance, superannuation and standardised guarantee schemes				
Equals D4				
plus Financial derivatives				
Equals D5				

15.29 Gross public sector debt at market value by level of government subsector shows debt instrument coverage on the gross basis at the current market value as D1 to D5, and is further identified by level of government institutional coverage. Further information on debt instruments and the presentation of debt data in ABS GFS may be found in Chapter 8 of this manual.

Net public sector debt at market value by level of government subsector

15.30 Net public sector debt at market value by level of government subsector presents debt instruments on the net basis at their current market value, and by level of government subsector. An outline of net public sector debt at market value by level of government subsector is provided in Table 15.10 below.

Table 15.10 - Net public sector debt at market value by level of government subsector (outline)

	Commonwealth general government	**Total general government sector**	**Total public non-financial sector**	**Total public sector**
Debt securities				
plus Loans				
Equals D1				
plus SDRs				
plus Currency and deposits				
Equals D2				
plus Other Accounts payable				
Equals D3				

plus Insurance, superannuation and standardised guarantee schemes				
Equals D4				
plus Financial derivatives				
Equals D5				

15.31 Net public sector debt at market value by level of government subsector shows debt instrument coverage on the net basis at the current market value as D1 to D5, and is further identified by level of government institutional coverage. Further information on debt instruments and the presentation of debt data in ABS GFS may be found in Chapter 8 of this manual.

Debt instruments at market value by maturity

15.32 Debt instruments at market value by maturity presents debt instruments at their current market value and on the basis of remaining maturity. An outline of debt instruments at market value by maturity is provided in Table 15.11 below. Further information on the presentation of debt instruments by maturity may be found in Appendix 2 of this manual.

Table 15.11 - Debt instruments at market value by maturity (outline)

Debt Instrument	Short term debt by original maturity	Long term debt by original maturity			Short term debt by remaining maturity[1]
		With payment due in one year or less	With payment due in more than one year = Long term by remaining maturity	Total	
Debt securities					
Loans					
SDRs					
Currency and deposits					
Other accounts payable					
Insurance, superannuation and standardised guarantee schemes					
Financial derivatives					
Total					

[1] Short term by remaining maturity is calculated as Short term by original maturity plus Long term by original maturity with payment due in one year or less.

PART D - AVAILABILITY OF DATA

15.33 The number of detailed cross-classifications that could be provided from the GFS output data base is potentially large but, in practice, is limited because input data are not always coded to the finest level in the classifications. Lack of information in source documents often makes coding to finer levels unachievable.

15.34 However, there is a specified minimum level in each classification to which all data are coded. Consistent maintenance of coding at this minimum level ensures that the most commonly sought output is always available. In the output data base, this level is termed the 'maximum level of output' and is the finest level of detail available for all of the 'output sectors'. Application of a minimum level of coding represents a compromise between the availability of data and the level to which GFS classifications can be applied consistently across the various sectors.

15.35 Despite source data limitations, a very large amount of data are potentially available from the output data base. ABS GFS publications therefore include only a subset of the data potentially available. Available GFS data that is not published may be obtained for a fee (see section on the ABS Special Data Dissemination Service in this chapter).

15.36 The GFS output database contains data aggregated into over 150 output sectors. No data for individual units are held. Each output sector is a combination of one or more of the level of government, institutional sector and jurisdiction classifications (e.g. Commonwealth general government). Each output sector holds aggregated GFS flow and stocks data classified to the ABS economic type framework (ETF) and the government purpose classification (GPC), and a cross-classification of the ETF and the Classification of Functions of Government – Australia (COFOG-A).

15.37 Each cell in the tables (apart from those marked 'n.a.') represents an aggregate for which data are available in the output data base (provided they are not subject to closure for confidentiality reasons). Because of space limitations, the tables do not record every available aggregate; they show mainly aggregates that are included in ABS GFS publications. The content of the publications can vary and the tables should not be taken as a precise statement of the information included in the publications. Finer dissections of many of the ETF items are available – the classifications set out in this manual should be used as a guide as to the level of detail that might be available.

15.38 As indicated in the introduction, ABS GFS output is disseminated electronically on the ABS website *(www.abs.gov.au)*. A cost is charged by the ABS for 'special data services' which refers to the dissemination of data that are more detailed than the published data, or data tailored to a user's particular requirements.

PART E - ABS GFS PUBLICATIONS

15.39 The outputs included in ABS GFS publications are published at the ETF level. Information relating to general government, public non-financial corporations, public financial corporations and the public sector as a whole is included in ABS GFS publications. The institutional breakdowns most commonly published relate to the national, state and territory, and local levels of government. Data for state / territory and local government combined are also published. Information that is not published, but is available may be obtained via special data services, for which a cost is charged by the ABS.

15.40 The four main ABS GFS publications are:

- Government Finance Statistics, Australia, Quarterly - (ABS Cat. no. 5519.0.55.001);
- Government Finance Statistics, Australia - (ABS Cat. no. 5512.0);
- Taxation Revenue, Australia - (ABS Cat. no. 5506.0);
- Government Finance Statistics, Education, Australia - (ABS Cat. no 5518.0.55.001)

15.41 The content of the quarterly and annual GFS publications may be found in Table 15.12 below.

Table 15.12 - Content of quarterly and annual GFS publications

Output Table	Quarterly Basis	Annual Basis
Statement of Operations	GG Sector by Level of Government (Commonwealth, Total State / Territory and Local combined)by Jurisdiction GG Sector by All Levels of Government combined PNFC Sector by All Levels of Government combined	Sector by Level of Government by Jurisdiction
Statement of Sources and Uses of Cash	Data not published	Sector by Level of Government by Jurisdiction
Balance Sheet	GG Sector by Level of Government (Commonwealth and Total State / Territory)	Sector by Level of Government by Jurisdiction
Memorandum items to the Balance Sheet	Data not published	GG Sector by Level of Government (Commonwealth and State / Territory) by Jurisdiction.* Technical note on debt measures.

Statement of Stocks and Flows)	Data not published	GG Sector by Level of Government (Commonwealth, State / Territory, Total State / Territory and Total Local) by Jurisdiction
Statement of Total Changes in Net Worth	Data not published	GG Sector by Level of Government (Commonwealth, State / Territory, Total State / Territory and Total Local) by Jurisdiction
Expense by Purpose	Data not published	GG Sector by Level of Government by Jurisdiction by 3 digit COFOG-A (4 digit data will be available on request.)
Summary Statement of Explicit Contingent Liabilities and Implicit Contingent Liabilities	Data not published	GG Sector by Level of Government (Commonwealth and State / Territory) by Jurisdiction.* Technical note on explicit contingent liabilities.
Stocks and Flows of Financial Assets and Liabilities by Source	Data not published	GG Sector by Level of Government (Commonwealth and State / Territory) by Jurisdiction.*
Net Public Sector Debt at Market Value by Level of Government Subsector	Data not published	Sector by Level of Government by Jurisdiction
Gross Public Sector Debt at Market Value by Level of Government Subsector	Data not published	Sector by Level of Government by Jurisdiction
Debt Instruments at Market Value by Maturity	Data not published	GG Sector by Level of Government (Commonwealth and State / Territory) by Jurisdiction.*

* PFC and PNFC Sectors and Level of Government control nfd will be considered once data availability is determined.

Local government data

15.42 Users interested in detailed GFS data for local governments should direct their query through the ABS National Information and Referral Service on telephone: Australia: 1300 135 070; or International: +61 2 9268 4909. This service operates between 9:00am and 5:00pm Monday to Friday. Data queries may also be directed to the ABS via email or post (see paragraphs 15.53 to 15.55 of this manual).

Other GFS related publications

15.43 ABS publications which also disseminate statistics on the government sector are:

- Australian System of National Accounts (ABS Cat. no. 5204.0) — this annual publication includes main aggregates and productivity measures; sectoral accounts for households, financial and non-financial corporations, general government and the rest of the world; estimates of product, operating surplus, compensation of employees and other aggregates dissected by industry; tables of capital formation and capital stock; national balance sheets; flow of funds tables. Includes both current price and chain volume measures.
- Australian National Accounts: National Income, Expenditure and Product (ABS Cat. no. 5206.0) — this quarterly publication shows a detailed presentation of quarterly national accounts as both current price estimates and chain volume measures in original, seasonally adjusted and trend terms including the quarterly income account for general government.
- Australian National Accounts: State Accounts (ABS Cat. no. 5220.0) — this annual publication contains state and territory estimates of Gross domestic product (referred to as gross state product (GSP)) and its components, in current price and volume terms.

PART F - SPECIAL DATA SERVICES

15.44 Special data services are provided for users who require more detailed or specialised GFS data than can be provided in ABS publications. Special data services are tailored to the user's specific requirements and are made available for a fee. Inquiries should be made to the National Information and Referral Service on telephone:
1300 135 070.

PART G - GFS OUTPUT DATA REQUESTS

15.45 Users of ABS GFS are encouraged to follow the steps below when framing requests for GFS output data:

1. Select the output sector for which data are required, e.g. NSW state general government sector;
2. Select the ETF category required;
3. Select any non-ETF classification (e.g. COFOG-A) categories required; and
4. Send the data request to the ABS contact officer.

15.46 On receipt of such requests, the ABS usually reconfirms the client requirements, especially where they are large and involved. A charge is made to cover the costs of extracting data to meet users' requests. For complex requests, the client must accept the quote for the ABS work before it proceeds.

GFS data requests via telephone

15.47 Local and international ABS GFS output data requests can be directed to the ABS by telephone via the ABS National Information and Referral Service on telephone:

Australia: 1300 135 070; or
International: +61 2 9268 4909.

This service operates between 9:00am and 5:00pm Monday to Friday.

GFS data requests via email

15.48 ABS GFS output data requests may be forwarded to the ABS via email through the ABS inquiry form:

Email: https://www4.abs.gov.au/web/survey.nsf/inquiryform/

GFS output requests via post

15.49 Written ABS GFS output data requests can be directed by mail to:

ABS Client Services
Locked Bag 10,
Belconnen, ACT 2616

PART H - INTERNATIONAL STATISTICS

15.50 In addition to meeting domestic needs, the ABS also provides Australian GFS data to the IMF and the OECD. These organisations request data for inclusion in their own publications and for use in their operations. The publications of these organisations enable comparisons of the financial performance of the Australian general government sector with that of foreign governments.

CHAPTER 16 - DATA QUALITY

PART A - INTRODUCTION

16.1 This chapter discusses the overall quality of the GFS statistics included in each release of data for a given period.

16.2 In any statistical undertaking, there is usually some trade-off between accuracy, reliability and timeliness. The trade-off involves balancing users' requirements for timely statistics against the time and cost (of the ABS and data suppliers) required to collect and compile statistics of a given degree of accuracy and reliability. Generally, any improvement in timeliness comes at the expense of accuracy and reliability.

16.3 In this discussion, accuracy is defined as the closeness of an estimate to the 'true' value. Reliability is defined as the stability of an estimate as measured by the size and frequency of revisions made to the estimate over time. These two attributes should always be considered together, as it is possible to have a statistic that is reliable (because it is revised infrequently) but always inaccurate. In general, timeliness refers to the amount of time between the end of the period to which the statistics refer and the date of first release of the statistics to users.

PART B - THE ABS DATA QUALITY FRAMEWORK

16.4 The ABS has developed a Data Quality Framework (DQF) which is used in evaluating the quality of ABS statistical collections and products (e.g. survey data, statistical tables), including administrative data. The ABS DQF is used in the collection, processing and dissemination of GFS. The ABS DQF is comprised of seven dimensions of quality, reflecting a broad and inclusive approach to quality definition and assessment. The seven dimensions of quality comprise:

- Institutional environment;
- Relevance;
- Timeliness;
- Accuracy;
- Coherence;
- Interpretability; and
- Accessibility.

Institutional environment

16.5 The first dimension of quality in the ABS DQF is the institutional environment. This dimension refers to the institutional and organisational factors which may have a significant influence on the effectiveness and credibility of the agency producing the statistics. Consideration of the institutional environment associated with a statistical product is important as it enables an assessment of the surrounding context, which may influence the validity, reliability or appropriateness of the product. The dimension of institutional environment can be evaluated by considering six key aspects:

- <u>Impartiality and objectivity</u>: whether the production and dissemination of data are undertaken in an objective, professional and transparent manner.
- <u>Professional independence</u>: the extent to which the agency producing statistics is independent from other policy, regulatory or administrative departments and bodies, as well as from private sector operators, and potential conflict of interest.
- <u>Mandate for data collection</u>: the extent to which administrative organisations, businesses and households, and the public at large may be compelled by law to allow access to, or to provide data to, the agency producing statistics.
- <u>Adequacy of resources</u>: the extent to which the resources available to the agency are sufficient to meet its needs in terms of the production or collection of data.
- <u>Quality commitment</u>: the extent to which processes, staff and facilities are in place for ensuring the data produced are commensurate with their quality objectives.

- Statistical confidentiality: the extent to which the privacy of data providers (households, enterprises, administrations and other respondents), and the confidentiality of the information they provide, are guaranteed (if relevant).

Relevance

16.6 The second dimension of quality in the ABS DQF is relevance. This dimension refers to how well the statistical product or release meets the needs of users in terms of the concept(s) measured, and the population(s) represented. Consideration of the relevance associated with a statistical product is important as it enables an assessment of whether the product addresses the issues most important to policy makers, researchers and to the broader Australian community. The dimension of relevance can be evaluated by considering the following key aspects:

- Scope and coverage: the purpose or aim for collecting the information, including identification of the target population, discussion of whom the data represent, who is excluded and whether there are any impacts or biases caused by exclusion of particular people, areas or groups.
- Reference period: this refers to the period for which the data were collected (e.g. the September-December quarter of the 2014-15 financial year), as well as whether there were any exceptions to the collection period (e.g., delays in receipt of data, changes to field collection processes due to natural disasters).
- Geographic detail: information about the level of geographical detail available for the data (e.g. postcode area, Statistical Local Area) and the actual geographic regions for which data are available.
- Main outputs / data items: whether the data measures the concepts meant to be measured for its intended uses.
- Classifications and statistical standards: the extent to which the classifications and standards used reflect the target concepts to be measured or the population of interest.
- Type of estimates available: this refers to the nature of the statistics produced, which could be index numbers, trend estimates, seasonally adjusted data, or original unadjusted data.
- Other cautions: information about any other relevant issue or caution that should be exercised in the use of the data.

Timeliness

16.7 Timeliness is the third dimension of quality in the ABS DQF. Timeliness refers to the delay between the reference period (to which the data pertain) and the date at which the data become available; and the delay between the advertised date and the date at which the data become available (i.e. the actual release date). These aspects are important considerations in assessing quality, as lengthy delays between the reference period and data availability, or between advertised and actual release dates, can have implications for the currency or reliability of the data. The dimension of timeliness can be evaluated by considering two key aspects:

- Timing: this refers to the time lag between the reference period and when the data actually become available (including the time lag between the advertised date for release and the actual date of release). For example, the reference period may be the 2004-05 financial year, but data may not become available for analysis until the middle of 2006.
- Frequency of survey: this refers to whether the survey or data collection was conducted on a one-off basis, or whether it is expected to be ongoing. If it is expected to be ongoing, frequency also includes information about the proposed frequency of repeated collections and when data will be released for subsequent reference periods.

Accuracy

16.8 The fourth dimension of quality in the ABS DQF is accuracy. Accuracy refers to the degree to which the data correctly describe the phenomenon they were designed to measure. This is an important component of quality as it relates to how well the data portray reality, which has clear implications for how useful and meaningful the data will be for interpretation or further analysis. In particular, when using administrative data, it is important to remember that statistical outputs for analysis are generally not the primary reason for the collection of the data.

16.9 Accuracy should be assessed in terms of the major sources of errors that potentially cause inaccuracy. Any factors which could impact on the validity of the information for users should be described in quality statements. The dimension of accuracy can be evaluated by considering a number of key aspects:

- Coverage error: this occurs when a unit in the sample is incorrectly excluded or included, or is duplicated in the sample (e.g., a field interviewer omits to interview a set of households or people in a household). Coverage of the statistical measures could be assessed by comparing the population included for the data collection to the target population.
- Sample error: where sampling is used, the impact of sample error can be assessed using information about the total sample size and the size of the sample in key output levels (e.g. number of sample units in a particular geographical area), the sampling error of the key measures, and the extent to which there are changes or deficiencies in the sample which could impact on accuracy.
- Non-response error: this refers to incomplete information provided by a respondent (e.g., when some data are missing, or the respondent has not answered all questions or provided all required information). Assessment should be based on non-response rates, or percentages of estimates imputed, and any statistical corrections or adjustment made to the estimates to address the bias from missing data.
- Response error: this refers to a type of error caused by respondents intentionally or accidentally providing inaccurate responses, or incomplete responses, during the provision of data. This occurs not only in statistical surveys, but also in administrative data collection where forms, or concepts on forms, are not well understood by respondents. Respondent errors are usually gauged by comparison with alternative sources of data and follow-up procedures.
- Other sources of errors: Any other serious accuracy problems with the statistics should be considered. These may include errors caused by incorrect processing of data (e.g. erroneous data entry or recognition), alterations made to the data to ensure the confidentiality of the respondents (e.g. by adding "noise" to the data), rounding errors involved during collection, processing or dissemination, and other quality assurance processes.
- Revisions to data: the extent to which the data are subject to revision or correction, in light of new information or following rectification of errors in processing or estimation, and the time frame in which revisions are produced.

Coherence

16.10 The fifth dimension of quality in the ABS DQF is coherence. Coherence refers to the internal consistency of a statistical collection, product or release, as well as its comparability with other sources of information, within a broad analytical framework and over time. The use of standard concepts, classifications and target populations promotes coherence, as does the use of common methodology across surveys. Coherence is an important component of quality as it provides an indication of whether the dataset can be usefully compared with other sources to enable data compilation and comparison. It is important to note that coherence does not necessarily imply full numerical consistency, rather consistency in methods and collection standards. Quality statements of statistical measures must include a discussion of any factors which would affect the comparability of the data over time. The coherence of a statistical collection, product or release can be evaluated by considering a number of key aspects:

- Changes to data items: to what extent a long time series of particular data items might be available, or whether significant changes have occurred to the way that data are collected.
- Comparison across data items: this refers to the capacity to be able to make meaningful comparisons across multiple data items within the same collection. The ability to make comparisons may be affected if there have been significant changes in collection, processing or estimation methodology which might have occurred across multiple items within a collection.
- Comparison with previous releases: the extent to which there have been significant changes in collection, processing or estimation methodology in this release compared with previous releases, or any 'real world' events which have impacted on the data since the previous release.
- Comparison with other products available: this refers to whether there are any other data sources with which a particular series has been compared, and whether these two sources tell the same story. This aspect may also include identification of any other key data sources with which the data cannot be compared, and the reasons for this, such as differences in scope or definitions.

Interpretability

16.11 Interpretability is the sixth dimension of quality in the ABS DQF. Interpretability refers to the availability of information to help provide insight into the data. Information available which could assist interpretation may include the variables used, the availability of metadata, including concepts, classifications, and measures of accuracy. Interpretability is an important component of quality as it enables the information to be understood and utilised appropriately. The interpretability of a statistical collection, product or release can be evaluated by considering two key aspects:

- Presentation of the information: the form of presentation and the use of analytical summaries to help draw out the key message of the data
- Availability of information regarding the data: the availability of key material to support correct interpretation, such as concepts, sources and methods; manuals and user guides; and measures of accuracy of data.

Accessibility

16.12 Accessibility is the seventh and final dimension of quality in the ABS DQF. Accessibility refers to the ease of access to data by users, including the ease with which the existence of information can be ascertained, as well as the suitability of the form or medium through which information can be accessed. The cost of the information may also represent an aspect of accessibility for some users. Accessibility is a key component of quality as it relates directly to the capacity of users to identify the availability of relevant information, and then to access it in a convenient and suitable manner. The accessibility of a statistical collection, product or release can be evaluated by considering two key aspects:

- Accessibility to the public: the extent to which the data are publicly available, or the level of access restrictions. Additionally, special data services may include the availability of special or non-standard groupings of data items or outputs, if required.
- Data products available: this refers to the specific products available (e.g., publications, spreadsheets), the formats of these products, their cost, and the available data items which they contain.

PART C - QUALITY OF GFS DATA

16.13 As stated in Part B above, the ABS Data Quality Framework (DQF) is used to assess the quality of ABS statistical collections and products, including administrative data by evaluating these against the seven dimensions of quality listed in paragraphs 16.4 to 16.12 of this manual. The quality of GFS is influenced by the nature of the source data available during the different phases of the GFS statistical cycle. The factors affecting quality of data at each stage of the statistical cycle are discussed in the following paragraphs.

GFS output products

16.14 GFS output products are published on a quarterly and annual basis. These publications are freely available on the ABS website (www.abs.gov.au). More detailed or customised data requests, not available from the published data, may also be available from the ABS on request.

16.15 The publication *Government Finance Statistics, Australia* (ABS Cat. no. 5512.0) contains detailed explanatory notes and a glossary that provides information on the data sources, terminology, classifications and other technical aspects associated with GFS statistics. Additionally, detailed information on the concepts, sources and methods used in compiling GFS can be found in this manual, the AGFS15.

Accuracy

16.16 The main influence on the accuracy of GFS data is non–sampling errors. Non–sampling errors arise from inaccuracies in collecting, recording and processing the data. The most significant of these errors are misreporting of data, and processing errors. Every effort is made to minimise error by working closely with data providers, training of processing staff and efficient data processing procedures.

16.17 Where the economic activity of some units are relatively insignificant, undercoverage can arise. These few units are either omitted or some of their activities are not covered by the collection methodology.

Interstate comparisons

16.18 The GFS statistics are compiled using standard definitions, classifications and treatment of government financial transactions to facilitate comparisons between levels of government, and between states within a level of government. However, the statistics also reflect real differences between the administrative and accounting arrangements of the various governments and these differences need to be taken into account when making interstate comparisons. For example, only a state level of government exists in the ACT and a number of functions performed by it are undertaken by local government authorities in other jurisdictions.

16.19 Interstate comparisons of data may also be significantly affected by differences in the mix of operations undertaken by state / territory governments and local governments. For example:

- Water and sewerage undertakings maybe operated by state / territory government, local government or a combination of both; or
- Government transport undertakings are operated exclusively by state / territory authorities in all states except Queensland where bus transport is operated by the local government sector.

16.20 Each ABS GFS publication details a DQF statement called a Quality Declaration, detailing an assessment of the GFS output across the seven dimensions of the DQF.

Quarterly data

16.21 As revisions can be made to quarterly GFS data as a result of new and updated information available from jurisdictions and the use of a degree of sampling in compilation, and because the time frame for quality assurance is shorter, the quarterly estimates are the most timely output of GFS data. However, the accuracy and reliability of these statistics can be affected.

Data sources

16.22 The quarterly statistics are based on information provided in, or underlying, the published accounting statements and reports of governments and their authorities. For the general government sector for the Commonwealth Government and all state / territory governments, the primary quarterly data sources are public accounts and budget management systems of state / territory treasuries and the Commonwealth Department of Finance. For the public non–financial corporation sector, GFS are collected from a survey of the largest corporations in several jurisdictions where the relevant treasury does not provide that data as part of its accounting reporting. For local government, the main data source is a quarterly GFS survey of local governments from all jurisdictions. There are no local government bodies in the ACT.

Revisions

16.23 Quarterly GFS data is sourced from Commonwealth and state / territory accounts that are not finalised and which are subject to revision. For this reason summing the four quarters of a financial year will not equal the final annual data.

Final data

16.24 Final data are the complete audited data for any jurisdiction for any given year. These data generally satisfy the level of detail required. However, some dissections required for national accounting purposes are not normally available in financial statements and audited accounts and these have to be estimated. For example, State-level estimates of Commonwealth Government final consumption expenditure, personal benefit payments and gross fixed capital formation are derived for publication in *Australian National Accounts: State Accounts* (ABS Cat. no. 5220.0).

Data sources

16.25 The annual statistics are based on information provided in, or underlying, the published accounting statements and reports of governments and their authorities. For the Commonwealth and state / territory governments the primary data sources are:

- Public accounts and budget management systems of state / territory treasuries and the Commonwealth Department of Finance;

- Annual reports of departments and authorities;
- Budget papers; and
- Reports of the Auditors-General.

16.26 For local government, the main data sources are annual statements of accounts completed by local authorities. There are no local government bodies in the ACT.

Revisions

16.27 Annual GFS data are revised on an annual basis. For this reason differences can occur between equivalent aggregates published in earlier issues of this publication.

Data collection timetables

16.28 Timetables for the collection and processing of GFS quarterly and annual data are necessarily very tight because users (who also include the providers of data) require the data as input to their own time-constrained programs. Quarterly production target dates are set mainly to meet the quarterly national accounts timetable, which requires the supply of quarterly GFS data six weeks after the end of the reference period. These deadlines affect the accuracy and reliability of GFS through their impact on the:

- Quality of data supplied by data providers;
- Amount of data analysis that can be done;
- Quality of data classification;
- Checking and editing of input and output data;
- Amount of estimation and imputation required;
- Number of revisions processed; and
- Verification of output.

16.29 While some of these processes can be carried out concurrently, only a limited amount of time can be allocated in total to all the tasks involved in order to meet fixed deadlines, so trade-offs between accuracy and timeliness have to be made.

16.30 Timeliness of GFS output differs for the different streams of data. Quarterly estimates are the most timely. The final data are usually released within nine to 12 months of the reference period.

Data coverage

16.31 Not all in-scope enterprises are individually covered in GFS because the cost of collecting data from small units outweighs gains in accuracy and reliability. The way in which individual units are covered in GFS dictates the level of data estimation, which affects the quality of GFS. Most units are 'directly' covered while other units are 'indirectly' covered. A directly covered unit is one for which data from the unit's accounts are included in GFS. An indirectly covered unit is one for which economic flows and stocks are deduced from data recorded by the directly covered units with which the indirectly covered unit undertakes transactions.

16.32 Indirect coverage of units is employed where the data of individual units are not readily available, are not available in sufficient time or are of insufficient statistical significance to warrant the cost of direct coverage. The most common example of units which are indirectly covered are public hospitals. Most of the data for the public hospitals in each state and territory can be deduced from data in the records of the relevant jurisdiction's health department.

16.33 While the detrimental impact of the indirect (partial) coverage of in-scope units on the accuracy and reliability of GFS has not been quantified, the amount of information missed by use of the procedure is considered to be small.

16.34 A small number of in-scope units are deliberately excluded from coverage because the cost of their inclusion outweighs the marginal increase in the accuracy of GFS. No statistical expansion is made to account for this under-coverage.

Estimation errors

16.35 The quarterly data are compiled using a mix of full enumeration of larger units and some sampling of smaller units. Stratified random sampling of local government units is used to produce quarterly estimates for the local government sector. As well, some dissections of quarterly data for other levels of government are estimated using previously recorded ratios. Overall, the use of sampling in Australia's GFS is relatively minor.

16.36 Estimation errors for individual levels of government arising from the adjustments made for under-coverage built into the quarterly collection cannot be quantified readily. The estimation techniques involve assuming that the relationships between the collected and uncollected data that existed in the last annual benchmark census remain the same in the current quarter. The estimates made represent only a very small proportion of the value recorded for the data items concerned.

Data processing errors

16.37 The ABS GFS processing system has been designed to incorporate a series of data checks and edits with the purpose of minimising or eliminating data processing errors. However, data processing errors can go undetected either because there is insufficient time to undertake all the checks and edits, or because there is not a check or edit covering a particular error. Such occurrences affect the accuracy and reliability of GFS output. Undetected errors arising from incomplete editing are part of the trade off between accuracy and timeliness. The errors in question are usually small and are usually detected when more complete editing can be undertaken. Errors that are not detected by input editing may be detected in output editing, which is an essential complement to the input editing process.

16.38 Errors may occur when a data provider either provides an incorrect figure or has to provide an estimate for data that are not readily available from accounting records. Errors can also occur because analysts may mis-classify transactions in such a way that the errors are not detected in the editing process.

16.39 It is impossible to quantify the effect of undetected data processing errors. However, the effect of such errors that go undetected for a time but are eventually detected is reflected in revisions, which are quantifiable.

Consolidation

16.40 Inaccuracies and imbalances may arise during the process of consolidating data. Inaccuracies can arise because accounting records do not enable identification of intra-sector flows and stocks, or because errors and omissions are made in the allocation of source and destination codes. Such errors will usually give rise to imbalances that will be detected in the consolidation process. Every effort is made to resolve such imbalances that are material. When imbalances cannot be resolved in time for publication, the data are forced into a balance by adopting a convention (e.g. the record of the 'higher' level of government prevails) or making a judgement as to which of the two values should be accepted. Forced balancing does not necessarily give the 'right' answer. However, because the data to which forced balancing is applied should not be material, errors arising from this source should not be significant.

Data revisions

16.41 Revisions are amendments made to previously released data. They can occur for a number of reasons. As previously discussed, a major reason for revisions in GFS is the replacement of data over the processing cycle. Revisions are also required because errors are detected in data after their initial release. Conceptual and methodological changes also give rise to revisions.

16.42 Revisions are made to the quarterly GFS data as required as a result of new and updated information available from jurisdictions. Annual GFS data are revised on an annual basis. For this reason differences can occur between equivalent aggregates published in earlier issues of the publication.

16.43 Revisions to GFS data are not applied immediately, but are applied at specified times that coincide with the release of publications. This means that, at any point in time, the data may include estimates that will not be updated until revisions are applied. However, restriction of the application of revisions to particular times is preferable to having a data set that is continually subject to change.

16.44 The times of the application of revisions to GFS data are currently dictated by the revisions policy for the Australian System of National Accounts. The policy allows revisions to be applied in the releases for various quarters as required by National Accounts Branch.

Verification of data

16.45 Prior to the publication of GFS data, data is sent to each respective Commonwealth, state and territory jurisdiction by the ABS for verification. This process serves as a form of output editing by suppliers of GFS data. The verification process also allows the ABS to assess coherence and identify differences between source data compiled under accounting frameworks compared with GFS data compiled by the ABS.

Quality Assurance

16.46 The ABS has in place, and continues to maintain, a system of quality assurance to assess and manage risks associated with data quality. This system is designed to ensure GFS data published by the ABS is fit for purpose. For more information on how data quality is defined or applied to the GFS data outputs see the ABS website: *www.abs.gov.au* or the *Data Quality Declaration* in each of the ABS GFS publications.

CHAPTER 17 - RELATIONSHIPS TO OTHER STATISTICAL SYSTEMS

PART A - INTRODUCTION

17.1 This chapter describes the relationships between the GFS system in Australia and the following three information systems with which it is closely linked:

- The *International Monetary Fund Government Finance Statistics Manual 2014* (IMF GFSM 2014) - this is the international standard for GFS established by the International Monetary Fund (IMF), which provides the conceptual basis for Australia's GFS system;
- The *Australian System of National Accounts* (ASNA) - this is aligned with international standards for national accounts set out in the *System of National Accounts, 2008* (2008 SNA). The IMF's GFS system is closely harmonised with 2008 SNA. 'Harmonised' means that common statistical concepts are used and, to a degree, common classifications and items are also used, enabling links between the systems to be established. Consequently, there are close links between the ASNA and Australia's GFS system, which is the main source of ASNA statistics about the general government sector and public non-financial corporations; and
- *AASB 1049: Whole of Government and General Government Sector Financial Reporting* - this is the principal Australian Accounting Standard underlying the financial statements issued by Australian governments and most of the source data used by the ABS in compiling GFS.

17.2 The main aim of the chapter is to provide a broad understanding of the relationships between the GFS system and other statistical and accounting systems with which it can be linked.

PART B - RELATIONSHIP TO THE IMF GFSM 2014

17.3 Australia's GFS system follows the conceptual basis of the IMF GFSM 2014 but has some differences. These include:

- Valuation of debt at the current market value (also known as the fair value);
- Presentation of gross public sector debt by type of instrument and level of government (the debt matrix as shown in Chapter 12 Part A);
- Recognition of derivatives as a financial asset / liability;
- Recording of salary sacrifice expenses as supporting information;
- Breakdown of own-account capital formation as supporting information; and
- Extra detail recorded for superannuation.

17.4 There are also variations in the way that the ABS GFS are presented as output. Nevertheless, the GFS system can be used by the ABS to provide the IMF with statistics that are in full accordance with the IMF standard. Further information on the AGFS15 departures from the IMF GFSM 2014 can be found in Appendix 3 of this manual.

Scope

17.5 The IMF GFSM 2014 provides guidance for compiling data for the general government sector, the broader public sector and their subsectors (public non-financial corporations and public financial corporations). The ABS compiles statistics for the widest possible coverage of government operations recommended by the IMF, and has adopted the guidance set out in the IMF GFSM 2014.

Units and unit classifications

17.6 The basic unit in the IMF GFSM 2014 is the institutional unit, which is defined in the same way as the unit of the same name in 2008 SNA (i.e. as an entity capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other units). As noted in Chapter 2 of this manual, the Australia's GFS system also recognises the institutional unit as the basic statistical unit.

17.7 The concept of quasi-corporations in the 2008 SNA is also applied in the IMF GFSM 2014. The concept effectively reduces the scope of the general government sector by excluding government market entities that operate like corporations. In Australia's GFS system, the same concept is applied.

17.8 The IMF GFSM 2014 recommends that GFS be presented for subsectors of the general government sector. A maximum of four subsectors is recommended: central government, state / territory government, local government, and social security funds. With the exception of social security funds which do not exist in Australia, the subsectors coincide with Australia's level of government classification. Social security funds are institutional units which provide social benefits to the entire community, or large sections of it, through a social insurance scheme which generally involves compulsory contributions by participants. The IMF GFSM 2014 does not include the concepts of jurisdictions and of multi-jurisdictional units that are applied in Australia and therefore does not have a concept of national government, which is the combination of the central government and control not further defined units.

17.9 The definition of the general government sector applied in the IMF GFSM 2014 is the same as in the 2008 SNA. The same definition is also applied in Australia's GFS system.

Flows, stocks and accounting rules

17.10 The IMF GFSM 2014 includes the same definitions of economic stocks and flows, and of transactions and other economic flows, as are applied in the 2008 SNA. Australia's GFS system applies identical concepts. The double-entry accounting model followed in the IMF GFSM 2014 is also applied in the Australian system. The IMF recommends full consolidation of flows and stock holdings between units contributing to the same aggregates, which is the practice followed in Australia's GFS system.

17.11 The Australian GFS system employs an accrual basis of recording that is defined in the same way as the accrual system employed in the IMF GFSM 2014. The IMF standard provides guidelines on accrual recording of specific types of transactions, including taxes, grants, dividends, transactions in non-financial assets, inventories and financial assets. In Australia's GFS system, the accrual practices adopted in government accounting systems are the starting point of recording GFS on an accrual basis. These practices may depart from the IMF guidelines in matters of detail but generally follow the principles underlying the IMF guidelines. The ABS adjusts the accounting data where material departures from the IMF principles come to notice.

17.12 In accordance with the 2008 SNA, the IMF GFSM 2014 states that, in general, all flows and stocks should be valued at market prices. The standard provides guidelines on how market values of flows and stocks might be estimated, if not directly available from accounting records. In Australia's GFS system, market values are recorded for most flows and stocks (with the exception of depreciation, which is recorded instead of consumption of fixed capital).

Analytical framework

17.13 The ABS GFS framework is the same as the IMF framework in all conceptual respects, but differs slightly in terms of structure, presentation and level of classificatory detail. It incorporates the recommended integration of economic stocks and flows that is achieved by applying the formula in Table 17.1 below.

Table 17.1 - The broad GFS analytical framework

The value of opening stocks
plus
The value of transactions
plus
The value of other economic flows
equals
The value of closing stocks.

17.14 The financial statements recommended in the IMF standard and the corresponding statements in Australia's GFS system are set out in Table 17.2 below.

Table 17.2 - Comparison of financial statements in the AGFS15 and the IMF GFSM 2014.

AGFS15 Statement	Corresponding IMF GFSM 2014 Statement
The statement of operations	The statement of operations
The statement of sources and uses of cash	The statement of sources and uses of cash
The statement of stocks and flows	The statement of other economic flows
The balance sheet	The balance sheet
The statement of total changes in net worth	The statement of total changes in net worth
The summary statement of explicit contingent liabilities and implicit contingent liabilities	The summary statement of explicit contingent liabilities and net implicit obligations for future social security benefits

17.15 The statements in the IMF and Australian GFS systems cover the same economic flows with minor differences in terminology and arrangement of the statements evident in Table 17.2.

17.16 The main differences are that the Australian system includes a statement of stocks and flows that is not included in the IMF system, and includes a *summary statement of explicit contingent liabilities and implicit contingent liabilities* rather than a *summary statement of explicit contingent liabilities and net implicit obligations for future social security benefits*. The reason for this is because the present value of implicit obligations for future social security benefits is zero for Australia. The only type of social security benefits that involve a contractual liability for Australian public sector units relate to employment related retirement benefits which have always been included in Australia's GFS.

Revenue and expenses

17.17 Of the basic elements included in the IMF statement of operations, the ABS GFS statement of operations covers all except transactions in financial assets and liabilities (ETF 3). In the Australian GFS system, details of transactions in financial assets and liabilities are included in the statement of stocks and flows. The broad items covered in the IMF revenue and expense classification and the corresponding items in the Australian system are shown in Table 17.3 below.

Table 17.3 - Comparison of revenue and expense classifications in the AGFS15 and the IMF GFSM 2014

ETF Codes	AGFS15 Descriptor	IMF Codes	IMF GFSM 2014 Descriptor
1	Revenue and expenses	1	Revenue
11	Revenue	11	Taxes
111	Taxation revenue	11	Taxes
1111	Taxes on income	111	Taxes on income , profits and capital gains
1112	Other current taxes	1132 1136 11451	Recurrent taxes on net wealth Other recurrent taxes on property Motor vehicle taxes
		11451	Motor vehicle taxes
1113	Taxes on products	1141 1142 1143 1144 1146 115	General taxes on goods and services Excises Profits of fiscal monopolies Taxes on specific services Other taxes on goods and services Taxes on international trade and transactions
1114	Other taxes on production	112 1131 11451 11452	Taxes on payroll and workforce Recurrent taxes on immovable property Motor vehicle taxes Other taxes on use of goods and on permission to use goods or perform activities

1115	Capital taxes	114 111 451	Estate, inheritance and gift taxes Capital levies Motor vehicle taxes
112	Sales of goods and services	142	Sales of goods and services
1121	Sales by market establishments	1421	Sales by market establishments
1122	Administrative fees	1422	Administrative fees
1123	Incidental sales by non-market establishments	1423	Incidental sales by non-market establishments
1124	Imputed sales of goods and services	1424	Imputed sales of goods and services
113	Property income	141	Property income
1131	Interest income	1411	Interest
1132	Dividend income	1412	Dividends
1133	Withdrawals from income of quasi-corporations	1413	Withdrawals from income of quasi-corporations
1134	Land rent income	1415	Rent
1135	Royalty income	1415	Rent
1136	Revenue from investment funds	1414	Property income from investment income disbursements
1137	Reinvested earnings on foreign direct investment	1416	Reinvested earnings on foreign direct investment
1139	Property income not elsewhere classified	141	Property income
114	Other current revenue	14	Other revenue
1141	Revenue from current grants and subsidies	14411 14412	Subsidies Other current transfers not elsewhere classified
1142	Fines, penalties and forfeits	143	Fines, penalties and forfeits
1143	Premiums, fees and current claims related to non-life insurance and standardised guarantee schemes	1451	Premiums, fees and current claims
1149	Other current revenue not elsewhere classified	14	Other revenue
115	Capital revenue	1442	Capital transfers not elsewhere classified
1151	Revenue from capital grants	1442	Capital transfers not elsewhere classified
1152	Assets acquired below market value	311	Fixed assets
1153	Capital claims related to non-life insurance and standardised guarantee schemes	1452	Capital claims
1159	Other capital revenue not elsewhere classified	14	Other revenue
12	Expense	2	Expense
121	Superannuation expenses	212	Employers' social contributions
1211	Superannuation expenses - defined contribution scheme	2121	Actual employers' social contributions
1212	Superannuation expenses - defined benefit scheme	2121	Actual employers' social contributions
1213	Imputed employers' contributions - defined benefit scheme	2122	Imputed employers' social contributions
122	Other employee expenses	21	Compensation of employees
1221	Wages, salaries and supplements in cash	2111	Wages and salaries in cash
1222	Wages and salaries in kind	2112	Wages and salaries in kind
1223	Fringe benefits tax (FBT) expenses	21	Compensation of employees
1224	Workers' compensation expenses	21	Compensation of employees

1229	Other employee expenses not elsewhere classified	21	Compensation of employees
123	Non-employee expenses	28	Other expense
1231	Production tax expenses	28	Other expense
1232	Social benefits to households in goods and services	28	Other expense
1233	Use of goods and services	22	Use of goods and services
1239	Non-employee expenses not elsewhere classified	28	Other expense
124	Depreciation	23	Consumption of fixed capital
1241	Depreciation of fixed assets (non-defence)	23	Consumption of fixed capital
1242	Depreciation of fixed assets (defence)	23	Consumption of fixed capital
125	Current transfer expenses	26 2821	Grants Current transfers not elsewhere classified
1251	Current grants expenses	2611 2621 2631 2821	Grants to foreign governments Grants to international organisations Grants to other general government units Current transfers not elsewhere classified
1252	Subsidies on products	25	Subsidies
1253	Other subsidies on production	25	Subsidies
1254	Current monetary transfers to households	2821	Current transfers not elsewhere classified
1255	Tax expenses	28	Other expense
1256	Premiums, fees and current claims related to non-life insurance and standardised guarantee schemes	2831	Premiums, fees and current claims
1259	Current transfer expenses not elsewhere classified	2821	Current transfers not elsewhere classified
126	Capital transfer expenses	26 2822	Grants Capital transfers not elsewhere classified
1261	Capital grant expenses	2612 2622 2632 2822	Grants to foreign governments Grants to international organisations Grants to other general government units Capital transfers not elsewhere classified
1262	Assets donated	26 2822	Grants Capital transfers not elsewhere classified
1263	Capital claims related to non-life insurance and standardised guarantee schemes	2832	Capital claims
1269	Capital transfer expenses not elsewhere classified	2822	Capital transfers not elsewhere classified
127	Interest expenses	24	Interest
1271	Interest on defined benefit superannuation	242	To residents other than general government
		243	To other general government units
1279	Interest expense not elsewhere classified	241 242 243	To non-residents To residents other than general government To other general government units
128	Other property expenses	281	Property expense other than interest
1281	Income transferred by public corporations as dividends	2811	Dividends
1282	Withdrawal from income of quasi-corporations	2812	Withdrawal from income of quasi-corporations
1283	Land rent and royalty expenses	2814	Rent
1284	Dividends to shareholders	2811	Dividends
1285	Reinvested earnings on foreign direct investments	2815	Reinvested earnings on foreign direct investment

1286	Property expense for investment income disbursements	2813	Property expense for investment income disbursements
1289	Other property expenses not elsewhere classified	281	Property expense other than interest

Cash flows

17.18 All of the Australian GFS items which correspond to items in the IMF statement of sources and uses of cash are recorded in the Australian GFS statement of sources and uses of cash. Table 17.4 lists the cash flow items in the IMF GFSM 2014 and those in the Australian GFS system that correspond to the IMF items.

Table 17.4 - Comparison of cash flow classifications in the AGFS15 and the IMF GFSM 2014

ETF Codes	AGFS15 Descriptor	IMF Codes	IMF GFSM 2014 Descriptor
21	Cash Flows From Operating Activities	C1 C2	Revenue cash flows Expense cash flows
211	Cash receipts from operating activities	C1	Revenue cash flows
2111	Taxes received	C11	Taxes
2112	Cash received from sales of goods and services	C14	Other receipts
2113	Grants and subsidies received	C14	Other receipts
2114	Income transferred from public corporations	C13 C14	Grants Other receipts
2115	Interest received	C14	Other receipts
2119	Cash receipts from operating activities not elsewhere classified	C14	Other receipts
212	Cash payments for employee expenses	C2	Expense cash flows
2121	Cash paid for employee superannuation - defined contribution schemes	C21	Compensation of employees
2122	Cash paid for employee superannuation - defined benefit schemes	C21	Compensation of employees
2123	Salary sacrifice expenses - superannuation	C21	Compensation of employees
2124	Salary sacrifice expenses - items other than superannuation	C21	Compensation of employees
2129	Cash payments for employee expenses not elsewhere classified	C28	Other payments
213	Cash payments for non-employee expenses	C28	Other payments
2131	Cash paid for the purchase of other goods and services	C22	Purchases of goods and services
2132	Subsidies paid	C25	Subsidies
2133	Grants paid	C26	Grants
2134	Other transfer payments	C28	Other payments
2135	Interest paid	C24	Interest
2136	Distributions paid	NFB	Net cash inflow from financing activities
2139	Cash payments for non-employee expenses not elsewhere classified	C28	Other payments
22	Cash flows from transactions in non-financial assets	C31	Net cash outflow from investment in non-financial assets
221	Expenditure on non-financial assets (net)	C2M	Expenditure cash flows
2211	Purchases of new non-financial assets	C31	Net cash outflow from investment in non-financial assets
2212	Purchases of second hand non-financial assets	C31	Net cash outflow from investment in non-financial assets

2213	Sales of non-financial assets	C31	Net cash outflow from investment in non-financial assets
23	Cash flows from transactions in financial assets for policy purposes	NFB	Net cash inflow from financing activities
231	Advances paid (net)	C33	Net incurrence of liabilities
2311	Gross Advances paid – concessional loans	C33	Net incurrence of liabilities
2312	Advances paid other than concessional loans	C33	Net incurrence of liabilities
2313	Repayments of advances	C33	Net incurrence of liabilities
232	Equity acquisitions, disposals and sale of equity (net)	C33	Net incurrence of liabilities
2321	Equity acquisitions	C32x	Net acquisition of financial assets other than cash
2322	Equity disposals and sale of equity	C32x	Net acquisition of financial assets other than cash
24	Cash flows from investments in financial assets for liquidity management purposes	NFB	Net cash inflow from financing activities
241	Increase in investments	NFB	Net cash inflow from financing activities
2411	Increase in investments	NFB	Net cash inflow from financing activities
25	Cash flows from financing	NFB	Net cash inflow from financing activities
251	Advances received (net)	NFB	Net cash inflow from financing activities
2511	Gross Advances received - concessional loans	NFB	Net cash inflow from financing activities
2512	Advances received other than concessional loans	NFB	Net cash inflow from financing activities
2513	Advances repaid	NFB	Net cash inflow from financing activities
252	Borrowing (net)	NFB	Net cash inflow from financing activities
2521	Borrowing (net)	NFB	Net cash inflow from financing activities
253	Deposits received (net)	NFB	Net cash inflow from financing activities
2531	Increase in deposits received	NFB	Net cash inflow from financing activities
259	Other financing (net)	NFB	Net cash inflow from financing activities
2599	Other financing not elsewhere classified (net)	NFB	Net cash inflow from financing activities
26	Increase / decrease in cash held	NCB	Net change in the stock of cash
261	Increase / decrease in cash held	NCB	Net change in the stock of cash
2611	Increase / decrease in cash held	NCB	Net change in the stock of cash

Transactions in financial assets and liabilities

17.19 Australia's GFS system covers essentially the same conceptual categories for transactions in financial assets and liabilities that are included in the IMF at the lower classification levels, with the only differences being in the structural headings of the ABS classification. Table 17.5 lists the transactions in financial assets and liabilities classification items in the IMF GFSM 2014 and those in the Australian GFS system that correspond to the IMF items.

Table 17.5 - Comparison of transactions in financial assets and liabilities classifications in the AGFS15 and the IMF GFSM 2014

ETF Codes	AGFS15 Descriptor	IMF Codes	IMF GFSM 2014 Descriptor
3	Transactions in financial assets and liabilities	32 33	Financial assets Liabilities
31	Transactions in financial assets (net)	32	Financial assets
311	Transactions in financial assets (net)	32	Financial assets
3111	Transactions in financial assets (net)	32	Financial assets

32	Transactions in liabilities (net)	33	Liabilities
321	Transactions in liabilities (net)	33	Liabilities
3211	Transactions in liabilities (net)	33	Liabilities

Transactions in non-financial assets (excluding depreciation)

17.20 Australia's GFS system covers essentially the same conceptual categories for transactions in non-financial assets that are included in the IMF at the lower classification levels, with the only differences being in the structural headings of the ABS classification. Table 17.6 lists the transactions in non-financial asset classification items in the IMF GFSM 2014 and those in the Australian GFS system that correspond to the IMF items.

Table 17.6 - Comparison of transactions in non-financial asset classifications in the AGFS15 and the IMF GFSM 2014

ETF Codes	AGFS15 Descriptor	IMF Codes	IMF GFS 2014 Descriptor
4	Transactions in non-financial assets (excluding depreciation)	32	Financial assets
41	Acquisitions of non-financial assets	32	Financial assets
411	Acquisitions of non-financial assets	32	Financial assets
4111	Change in inventories	312	Inventories
4112	Acquisitions of non-financial assets under new finance leases	31	Non-financial assets
4113	Own-account capital formation	3M1	Own-account capital formation
4114	Acquisitions of other new non-financial assets	311	Fixed assets
4115	Acquisitions of second-hand non-financial assets	311	Fixed assets
4116	Costs of ownership transfer on non-produced assets other than land	31133	Costs of ownerships transfer on non-produced assets other than land
42	Disposals of non-financial assets	31	Non-financial assets
421	Disposals of non-financial assets	31	Non-financial assets
4211	Disposals of non-financial assets	31	Non-financial assets

Other economic flows of assets and liabilities

17.21 The IMF system includes a statement of other economic flows which is not required in the Australian system because the items are recorded in the columns for holding gains and losses and other changes in the volume of assets in the Australian statement of stocks and flows. The Australian GFS items corresponding to items in the IMF statement of other economic flows are shown in Table 17.7. As can be seen, Australia's GFS system covers essentially the same conceptual categories that are included in the IMF at the lower classification levels, with the only differences being in the structural headings of the ABS classification.

Table 17.7 - Comparison of other economic flow classifications in the AGFS15 and the IMF GFSM 2014

ETF Codes	AGFS15 Descriptor	IMF Codes	IMF GFSM 2014 Descriptor
5	Other economic flows of assets and liabilities	91 92 93	Non-financial assets Financial assets Liabilities
51	Holding gains and losses (revaluations)	41 42 43	Non-financial assets Financial assets Liabilities
511	Holding gains and losses (revaluations)	41 42 43	Non-financial assets Financial assets Liabilities
5111	Holding gains and losses on financial assets	42	Financial assets
5112	Holding gains and losses on non-financial assets	41	Non-financial assets
5113	Holding gains and losses on liabilities	43	Liabilities
512	Change in net worth due to holding gains and losses	4	Net worth and its changes
5121	Change in net worth due to holding gains and losses	4	Net worth and its changes
52	Other changes in volume	51 52 53	Non-financial assets Financial assets Liabilities
521	Other changes in volume	51 52 53	Non-financial assets Financial assets Liabilities
5211	Other changes in volume of financial assets	52	Financial assets
5212	Other changes in volume of-non-financial assets	51	Non-financial assets
5213	Other changes in volume of liabilities	53	Liabilities
522	Change in net worth due to other changes in volume	5	Net worth and its changes
5221	Changes in net worth due to other changes in volume	5	Net worth and its changes

Intra-unit transfers (ETF 6) are used exclusively by ABS compilers and hence are not discussed here.

Supplementary information

17.22 In Australia, extra supporting information is collected for national accounting purposes. This supplementary information includes salary detail on sacrifice expenses and a detailed breakdown of own-account capital formation. The Australian GFS items corresponding to supplementary information in the IMF GFS system are shown in Table 17.7.

Table 17.8 - Comparison of supplementary information classifications in the AGFS15 and the IMF GFSM 2014

ETF Codes	AGFS15 Descriptor	IMF Codes	IMF GFSM 2014 Descriptor
7	Supplementary information	3M1	Own-account capital formation
71	Memorandum items - balance sheet	6M391 6M392 6M5 6M6 6M81	Concessional loans at nominal value Implicit transfers resulting from loans at concessional interest rates Arrears Explicit contingent liabilities Non-performing loans at fair value
711	Implicit transfers	6M392	Implicit transfers resulting from loans at concessional interest rates
7111	Implicit transfers receivable from concessional loans	6M392	Implicit transfers resulting from loans at concessional interest rates
7112	Implicit transfers payable due to concessional loans	6M392	Implicit transfers resulting from loans at concessional interest rates
712	Liabilities in arrears and related charges	6M5	Arrears
7121	Total arrears	6M5	Arrears
7122	Interest on arrears	6M5	Arrears
713	Non-performing loans	6M8	Non-performing loan assets at fair value
7131	Non-performing loans at market value	6M8	Non-performing loan assets at fair value
72	Contingent liabilities	6M6	Explicit contingent liabilities
721	Explicit contingent liabilities	6M6	Explicit contingent liabilities
7211	Loan and other debt instrument guarantees	6M61	Public guaranteed debt
7212	Other one-off guarantees	6M62	Other one-off guarantees
7213	Legal claims	6M63	Explicit contingent liabilities not elsewhere classified
7214	Indemnities	6M63	Explicit contingent liabilities not elsewhere classified
7215	Uncalled share capital	6M63	Explicit contingent liabilities not elsewhere classified
7219	Explicit contingent liabilities not elsewhere classified	6M63	Explicit contingent liabilities not elsewhere classified
722	Implicit contingent liabilities	6M7	Net implicit obligations for social security benefits
7221	Present value of implicit obligations for future social security benefits	6M7	Net implicit obligations for social security benefits
7229	Other implicit contingent liabilities not elsewhere classified	6M7	Net implicit obligations for social security benefits
73	Provisions for doubtful debts	None	No IMF equivalent
731	Provisions for doubtful debts	None	No IMF equivalent
7311	Provisions for doubtful debts	None	No IMF equivalent
74	Debt maturity	6M3	Gross debt at market value
741	Debt by maturity valued at market value	6M3	Gross debt at market value
7411	Short-term debt by original maturity valued at market value	63.1	Short-term, by original maturity (Debt instruments)
7412	Long term debt with payment due within one year or less valued at market value	63.2	Long-term by original maturity with payment due in one year or less
7413	Long term debt with payment due in more than one year valued at market value	63.3	Long-term by original maturity with payment due in more than one year
75	Salary sacrifice expenses	33082	Miscellaneous other accounts payable
751	Salary sacrifice expenses	33082	Miscellaneous other accounts payable

7511	Salary sacrifice expenses – superannuation	33082	Miscellaneous other accounts payable
7519	Salary sacrifice expenses not elsewhere classified	33082	Miscellaneous other accounts payable
76	Own-account capital formation	3M1	Own-account capital formation
761	Own-account superannuation payments	3M1	Own-account capital formation
7611	Own-account actual employers' contributions - defined contribution scheme	3M11	Compensation of employees
7612	Own-account actual employers' contributions - defined benefit scheme	3M11	Compensation of employees
7613	Own-account imputed employers' contributions – defined benefit scheme	3M11	Compensation of employees
762	Own-account employee payments other than superannuation	3M11	Compensation of employees
7621	Own-account wages, salaries and supplements in cash	3M11	Compensation of employees
7622	Own-account wages and salaries in kind	3M11	Compensation of employees
7623	Own-account salary sacrifice payments – superannuation	3M11	Compensation of employees
7624	Own-account salary sacrifice payments – items other than superannuation	3M11	Compensation of employees
7625	Own-account Fringe Benefits Tax (FBT) payments	3M11	Compensation of employees
7626	Own-account workers' compensation payments	3M11	Compensation of employees
7629	Own-account employee payments not elsewhere classified	3M11	Compensation of employees
763	Own-account non-employee payments	3M1	Own-account capital formation
7631	Own-account use of goods and services	3M1	Own-account capital formation
7632	Own-account depreciation of fixed assets	3M1	Own-account capital formation
7633	Own-account taxes on production less other subsidies on production	3M1	Own-account capital formation
7639	Own-account other non-employee e payments not elsewhere classified	3M1	Own-account capital formation

Extra detail recorded in the ABS GFS supporting information

17.23 Unlike some other countries, Australian GFS is not derived from the national accounts, but feeds into the national accounts as a separate statistical stream in its own right. The ABS compiles GFS for the general government sector and the total public sector and their subsectors (public non-financial corporations and public financial corporations). In addition to feeding into the national accounts, the ABS also publish separate quarterly and annual GFS.

17.24 In order to enhance domestic fiscal analysis and meet its national accounting obligations, the ABS has extended the GFS supporting information to include:

- Salary sacrifice expenses; and
- Own-account capital formation.

Salary sacrifice expenses

17.26 The first extension to the ABS GFS supporting information concerns the recording of salary sacrifice expenses. Paragraph 7.47 of the 2008 SNA describes salary sacrifice as benefits (such as a motor vehicle or extra pension contributions) that may be purchased by an employee from an employer by foregoing some salary with the purpose of utilising the tax advantages connected to doing so.

17.27 In order to provide more complete measurements of wages and salaries for the *distribution of income account* in the Australian national accounts, the ABS GFS records salary sacrifice expenses in the context of public sector employment related pensions (known as superannuation in Australia) and also in the context of items other than superannuation as part of other public sector employee expenses in the statement of operations input classification (see Appendix 1 Part B of this manual for further information).

Own-account capital formation

17.28 Another extension to the ABS GFS supporting information is the detailed breakdown of own account capital formation. Own-account capital formation is the production of goods and services by a unit for their own use, often involving the construction of non-financial assets using a public sector unit's own materials, labour, and expertise.

17.29 In order to provide better measurements of compensation of employees for the *income account*, the *production account*, and for the *capital account* in the national accounts, the ABS GFS records the value of payments relating to own-account capital formation as part of the supporting information (ETF 7) in the context of own-account superannuation expenses; own-account employee expenses other than superannuation expenses; and own-account non-employee expenses.

The balance sheet

17.30 In both the IMF and the ABS GFS systems, information in each of the asset categories and the liabilities categories can be further disaggregated according to types of assets and liabilities. As can be seen from Table 17.09, all of the concepts in the IMF balance sheet have a corresponding item in Australia's GFS system.

Table 17.09 - Comparison of balance sheet classifications in the ABS and the IMF GFS

ETF Codes	AGFS15 Descriptor	IMF Codes	IMF GFSM 2014 Descriptor
8	Balance sheet	31 32 33	Non-financial assets Financial assets Liabilities
81	Assets	31 32	Non-financial assets Financial assets
811	Assets	31 32	Non-financial assets Financial assets
8111	Financial assets	32	Financial assets
8112	Non-financial assets	31	Non-financial assets
82	Liabilities	33	Liabilities
821	Liabilities	33	Liabilities
8211	Liabilities	63	Liabilities
83	Net worth	3	Net worth and its changes
831	Net worth	3	Net worth and its changes
8311	Net worth	3	Net worth and its changes

Concessional debt as part of the core GFS

17.31 Australian GFS includes the value of advances in the form of concessional debt as part of financial assets and liabilities, but no imputations are made for the concessional element. Concessional debt are loans that are extended by public sector units to other units, with the contractual interest rate set intentionally below the market interest rate. The IMF GFSM 2014 records concessional debt as part of the memorandum items, and not as part of the core balance sheet.

17.32 In order for the Australian GFS to maintain coherence with other ABS macroeconomic datasets, such as the balance of payments and the national accounts, concessional debt is included in the GFS balance sheet. For further information on the treatment of concessional debt in the GFS system, see Chapter 8, Chapter 9, Chapter 13, and Appendix 1 Part A of this manual.

Financial derivatives

17.33 Australian GFS recognises financial derivatives as debt instruments. A financial derivative is a financial instrument that is linked to another specific financial instrument, indicator or commodity, and through which specific financial risks (such as interest rate risk, foreign exchange risk, equity and commodity price risks, credit risk, and so on) can be traded in their own right in financial markets. The IMF GFSM 2014 do not recognise financial derivatives as debt instruments. Paragraph 7.237 states that financial derivatives are not debt instruments because they do not supply funds or other resources, but rather shift the exposure to risks from one party to another.

Valuation of financial assets and liabilities at current market value

17.34 The Australian GFS differs from the IMF GFSM 2014 in the valuation of all financial assets and liabilities at current market values under the creditor approach. The IMF GFSM 2014 values debt instruments at the nominal value under the debtor approach. Market value is conceptually equal to the required future payments of principal and contractual interest discounted at the existing market yield. For further information on the valuation of financial assets and liabilities in the GFS system, see Chapter 8, Chapter 9, Chapter 13, and Appendix 1 Part A of this manual.

PART C - RELATIONSHIP TO THE AUSTRALIAN SYSTEM OF NATIONAL ACCOUNTS (ASNA)

17.35 The conceptual framework of the Australian System of National Accounts (ASNA) is based on the 2008 SNA. The IMF standard for GFS is closely ‘harmonised’ with the 2008 SNA, and it follows that Australia’s GFS system is harmonised with the ASNA. Indeed, the use of common concepts, items and classifications in the ASNA and Australia’s GFS system is essential because the GFS system is the main provider of data for compiling ASNA information about the general government sector and public non-financial corporations. The following section provides a broad analysis of the links between the ASNA and the GFS system.

Scope and institutional sectors

17.36 The ASNA is designed to provide information about the Australian economy in total and similar supporting information about individual institutional sectors within the economy. The scope of the ASNA is the whole of the Australian economy. The scope of Australia’s GFS system is the public sector, which comprises the general government sector and the public non-financial and financial corporations. Although the ASNA does not provide consolidated information about the public sector as such, it provides information about the following institutional sectors:

- Non-financial corporations sector;
- Financial corporations sector;
- General government sector;
- Households (incorporating non-profit institutions serving households); and
- Rest of the world sector.

17.37 The scope of the general government sector in the ASNA is exactly the same as in the GFS system. In the ASNA, public non-financial corporations form part of the non-financial corporations sector and public financial corporations form part of the financial corporations sector. As previously discussed, the public sector defines the scope of the GFS system, which consists of the general government sector, the public non-financial corporations and the public financial corporations.

17.38 The ASNA distinguishes between the public and private corporations within the non-financial and financial corporations sectors. When the distinction is made, the scope of the public corporations in ASNA coincides with the scope of the public corporations in the GFS system. Therefore, it is possible to directly compare common ASNA and GFS information about general government, public non-financial corporations and public financial corporations.

Accounts

17.39 The ASNA presents information on economic flows and stocks using a framework of linked accounts that differs from the GFS framework of financial statements, but includes many common links. The differences arise because of the different objectives of the two systems. In the national accounts, emphasis is placed on economic concepts of production, income, consumption, saving, capital accumulation and wealth, with the aim of measuring the economic performance of the whole economy. In the GFS system, emphasis is placed on fiscal concepts such as revenues, expenses, and financing, with the aim of measuring the financial performance of the public sector.

17.40 The ASNA framework includes the following set of accounts:

- Production account;
- Income account;
- Capital account;
- Financial account;
- Balance sheet;
- Revaluation account; and
- Other changes in the volume of assets account.

17.41 In broad terms, the production account records production, the income generated from production and the expenditure of income on final consumption and capital formation. The income account records the disposable income of residents (i.e. after taxes and other current transfers), the current use of that income and the resultant saving, which can be positive or negative. The capital account records the sources (net saving and net capital transfers) of funds available for the acquisition of non-financial assets on one side and the actual net acquisition of non-financial assets on the other. The balance of the account can be positive (net lending) or negative (net borrowing). The financial account records the net transactions in financial assets, liabilities and equity that occur as a result of net lending or borrowing. The balance sheet records the opening and closing values of assets and liabilities. The revaluation and other changes in the volume of assets accounts record changes to net worth arising from revaluations and events other than transactions and revaluations. The closing values of assets and liabilities in ASNA are equal to selected transactions from the capital and financial accounts, plus net revaluations, plus net other changes in the volume of assets.

17.42 Each of the ASNA accounts includes information that can be directly related to GFS data. Information in the gross domestic product, income and capital accounts can be linked to information included in the GFS statement of operations; the balance sheet information can be linked to information included in the GFS balance sheet; and information in the revaluation and other changes in volume of assets accounts can be linked to information included in the GFS statement of stocks and flows. The items in the accounts and the links to GFS items are discussed in the next section. There is no equivalent of the GFS statement of sources and uses of cash in the ASNA, although the change in cash balances is recorded in the system.

Data items

17.43 The major aggregates and balancing items included in the main ASNA accounts and the corresponding GFS items and the statements in which they are recorded are shown in Table 17.10 below. In the table items that do not appear in the GFS system but are derived for national accounting purposes are labelled 'derived'. The symbol * against an entry in the right-hand column indicates that the item is identical in concept to the ASNA item, but is measured from different sources with the result that values recorded for the item in the two systems are not identical. The content of the table is explained in the following paragraphs.

Table 17.10 - Main items in the ASNA accounts and the corresponding ABS GFS items

ASNA account name	Major ASNA aggregates and balancing items	Corresponding AGFS 2015 item
Production account	Final consumption expenditure	Derived*
	Gross fixed capital formation	*Gross fixed capital formation*
	Domestic final demand	Derived*
	Changes in inventories	*Change in inventories* (ETF 4111)
	Gross national expenditure	Not recorded but can be derived*
	Exports of goods and services	N/A
	Imports on goods and services	N/A
	Gross domestic product (as a sum of expenditures)	N/A
	Compensation of employees	Derived*
	Gross operating surplus	Derived*
	Gross mixed income	N/A
	Taxes less subsidies on production and imports	*Tax expenses* (ETF 1255) (part), *other subsidies on production* (ETF 1253)
	Gross domestic product (as a sum of incomes)	N/A
Income account	*Income*	
	Use of income	
	Gross operating surplus	Derived*
	Property income	*Property income* (ETF 113)*
	Taxes on production and imports	Selected taxes (revenue)*
	Secondary income	
	Net non-life insurance claims	*Premiums, fees and current claims related to non-life insurance and standardised guarantees* (ETF 1153) (part)
	Taxes on income, wealth, etc.	Selected taxes (revenue)*
	Other current transfers	*Current grant revenue* (ETF 1141), *other current transfers not elsewhere classified* (ETF 1148), *subsidies* (ETF 1151), *fines, penalties and forfeits* (ETF 1152)
	Use of income	
	Primary income payable	
	Property income	*Other property expenses* (ETF 128)
	Subsidies	*Subsidies on products* (ETF 1252), *other subsidies on production* (ETF 1253)
	Secondary income	
	Social assistance benefits in cash to residents	*Current monetary transfers to households* (ETF 1254)
	Current taxes on income, wealth, etc.	*Tax expenses* (ETF 1255) (part)
	Net non-life insurance premiums	*Premiums, fees and current claims related to non-life insurance and standardised guarantees* (ETF 1256) (part)
	Other current transfers	*Current grant expenses* (ETF 1251), *other current transfer expenses not elsewhere classified* (ETF 1259)
	Net savings	Derived*

Capital account	Net savings	Derived*
	Consumption of fixed capital	*Depreciation of non-financial produced assets (non-defence)* (ETF 1241), *depreciation of non-financial produced assets (defence)* (ETF 1242)
	Capital transfers (receivable and payable)	*Capital grant revenue* (ETF 1142), *other capital transfers not elsewhere classified* (ETF 1149), *capital transfer expenses* (ETF 126)
	Gross fixed capital formation	*Gross fixed capital formation*
	Change in inventories	*Change in inventories* (ETF 4111)
	Acquisitions less disposals of non-produced non-financial assets	*Acquisitions of non-financial assets* (ETF 411), *disposals of non-financial assets* (ETF 421)
	Gross saving and capital measures	*Net operating balance* plus *depreciation* (ETF 124)*
	Net lending (+) / borrowing (-)	Net lending (+) / borrowing (-)
Financial account	Net acquisition of financial assets	*Transactions in financial assets (net)* (ETF 31)*
	Net incurrence of liabilities	*Transactions in liabilities (net)* (ETF 32)*
	Net change in financial position	Net lending (+) / borrowing (-)*
Balance sheet	Non-financial assets	*Non-financial assets* (ETF 8112)*
	Financial assets	*Financial assets* (ETF 8111) *
	Liabilities	*Liabilities* (ETF 8211)*
	Net worth	Net worth (ETF 83)*
	Assets	
	Opening balance sheet	Total assets (opening stocks in statement of stocks and flows)*
	Net capital formation	*Transactions in non-financial assets* (ETF 4)*
	Financial transactions	*Transactions in financial assets (net)* (ETF 31)*
	Revaluations	*Holding gains and losses on financial assets* (ETF 5111), *holding gains and losses on non-financial assets* (ETF 5112)*
	Other changes in the volume of assets	*Other changes in volume of financial assets* (ETF 5211), *other changes in volume of non-financial assets* (ETF 5212)*
	Closing balance sheet	Total assets (closing stocks in statement of stocks and flows)*
	Liabilities	
	Opening balance sheet	Total liabilities (opening stocks in statement of stocks and flows)*
	Financial transactions	*Transactions in liabilities (net)* (ETF 32)*
	Revaluations	*Holding gains and losses on liabilities* (ETF 5113)*
	Other changes in the volume of assets	*Other changes in the volume of liabilities* (ETF 5213)*
	Closing balance sheet	Total liabilities (closing stocks in statement of stocks and flows)*
	Change in net worth	*Change in net worth due to holding gains and losses* (ETF 512), *change in net worth due to other changes in volume* (ETF 522)*

Balance sheet, accumulation and revaluation accounts	*Assets*	
	Opening balance sheet	Total assets (opening stocks in statement of stocks and flows)*
	Net capital formation	*Transactions in non-financial assets* (ETF 4)*
	Financial transactions	*Transactions in financial assets (net)* (ETF 31)*
	Revaluations	*Holding gains and losses on financial assets* (ETF 5111), *holding gains and losses on non-financial assets* (ETF 5112)*
	Other changes in the volume of assets	*Other changes in volume of financial assets* (ETF 5211), *other changes in volume of non-financial assets* (ETF 5212)*
	Closing balance sheet	Total assets (closing stocks in statement of stocks and flows)*
	Liabilities	
	Opening balance sheet	Total liabilities (opening stocks in statement of stocks and flows)*
	Financial transactions	*Transactions in liabilities (net)* (ETF 32)*
	Revaluations	*Holding gains and losses on liabilities* (ETF 5113)*
	Other changes in the volume of assets	*Other changes in the volume of liabilities* (ETF 5213)*
	Closing balance sheet	Total liabilities (closing stocks in statement of stocks and flows)*
	Change in net worth	*Change in net worth due to holding gains and losses* (ETF 512), *change in net worth due to other changes in volume* (ETF 522)*

*** Identical concept to the ASNA item, but the value recorded for the item is not identical because it is measured from a different source that the ASNA.**

N/A = not applicable
Note: Balancing items are shaded and bolded.
Note: Throughout the table, liabilities includes shares and other contributed capital of corporations and quasi-corporations.

17.44 The Australian System of National Accounts (ASNA) records gross domestic product (GDP, the economy's production), the income generated by GDP (comprising mainly taxes, compensation of employees and the gross operating surplus and gross mixed income of producers) and the expenditure of GDP on final consumption, inventories, gross fixed capital formation and net exports.

17.45 Most income components for general government and public corporations can be linked to expense items in the GFS statement of operations or can be derived from items in the statement of operations. Gross operating surplus of public corporations is not recorded in the GFS statement of operations but, in the case of public non-financial corporations, the ASNA information is derived from data recorded in the GFS system. It is defined as the excess of gross output over the sum of intermediate consumption, compensation of employees, and taxes less subsidies on production and imports. In the general government sector, most output is not marketed and is valued in the national accounts at its cost of production. The ASNA 'grosses up' certain items such as payroll taxes paid by units to others within the same jurisdiction. These transactions are consolidated out in the GFS system but the source of 'grossing up' is GFS counterparty data. The gross operating surplus of general government is equal to general government consumption of fixed capital, which is the only cost of production not deducted in the derivation of gross operating surplus, less sales. However, because many of the ASNA items do not use GFS data, but are derived through supply use tables, the ASNA values for general government gross operating surplus are not the same as those that can be derived from GFS data. Gross mixed income does not apply to public sector entities.

17.46 The expenditure components included in the production account that can be linked to GFS statement of operations items are government final consumption expenditure, gross fixed capital formation of general government and public corporations, and changes in inventories. Government final consumption expenditure is current expenditure by general government bodies on services to the community. Because these are provided free of charge or at charges which cover only a small proportion of costs, the government is considered to be the consumer of its own output. This output has no directly observable market value and so is valued in the national accounts at its cost of production. Property income (e.g. interest payments on government debt and social assistance benefits) is not included. The major part of government final consumption expenditure is derived from GFS data but the item is not included in the GFS system because it includes imputed expenses that are not derived in the GFS system. For example, it includes 'financial intermediation services indirectly measured' (FISIM), which is an imputed part of the output of financial institutions and part of the final consumption expenditure of general government units that use the financial institutions' services.

17.47 Gross fixed capital formation is defined and measured in the same way in the GFS system and the ASNA. The ASNA data for general government and public non-financial corporations are derived directly from GFS data. In the ASNA, capitalised wages and salaries are included in gross fixed capital formation as well as in compensation of employees (no duplication is involved because of the linked structure of the national accounts).

17.48 In general, the income items included in the ASNA income and use of income account can be related to GFS revenue items. Each of the items is discussed in the following paragraphs.

17.49 Gross operating surplus is discussed in paragraph 17.45 of this manual.

17.50 Property income comprises interest, dividends, reinvested earnings on direct foreign investment, and rent on natural assets. The data for interest income that are recorded in the ASNA are not comparable with the data recorded in the GFS system because the ASNA data are adjusted to exclude FISIM (see paragraph 16.50 of this manual). All other items of property income are defined and measured in the ASNA in the same way as in the GFS system, which provides the ASNA data for general government and public non-financial corporations.

17.51 Taxes on production and imports represents taxation revenue of general government, and the ASNA values are derived directly from GFS data. The GFS categories of revenue included in the item are taxes on products and other taxes on production. Because some of these taxes are payable by non-producers as well as producers, adjustments (based on non-GFS data) are made to eliminate tax payments made by non-producers. Taxes are reported using either the Tax liability method (TLM) (cash accounting) or the Economic Transaction Method (ETM) (closer to an accruals basis). For some tax items in GFS which are reported on TLM basis, these are adjusted to get back to an accruals basis for taxes in ASNA.

17.52 Taxes on income and wealth receivable is an item that is unique to general government, and the ASNA data are derived directly from GFS data. The GFS revenue categories included in the item are taxes on income (which comprise all taxes included in the tax item 'taxes on income, profits and capital gains') and other current taxes (which comprise all taxes included in the tax items 'motor vehicle taxes' (except road transport and maintenance taxes) and 'departure tax'). Because some of these taxes when paid by producers are classifiable as taxes on production and imports, other non-GFS information is used to identify and eliminate such tax payments made by producers. Therefore, the ASNA data for this item cannot be related directly to the GFS data.

17.53 Other current transfer revenue that are relevant to the public sector include current grants and subsidies receivable by public corporations (which are defined and measured in the ASNA as in the GFS system); and regulatory fees and fines collected by general government (which are also defined and measured as in the GFS system). ASNA data for these components are derived from GFS data.

17.54 The use of income items included in the ASNA income account can be related to GFS expense items in general. They are discussed in the following paragraphs.

17.55 Property expenses includes the same components as property expenses and the discussion relating to property income receivable applies equally here. That is, all property expenses except interest expense is recorded in the same way in ASNA and the GFS system and interest expense in ASNA is not comparable with GFS interest expense for the same reasons as in relation to interest income.

17.56 Subsidies and social assistance benefits in cash to residents are items unique to general government that are defined and measured in the ASNA in the same way as in the GFS system, which provides the data that are included in the ASNA. In the GFS system, social benefits in cash to residents is called 'current monetary transfers to households' and is included in expenses under current transfer expenses.

17.57 In the GFS system, current taxes on income and wealth payable are payable only by public non-financial and financial corporations (any taxes payable by general government units are eliminated in the consolidation of GFS output). The ASNA data for current taxes payable by all sectors are derived from GFS data for taxation revenue and distinguish taxes payable by public non-financial corporations.

17.58 Items in the ASNA capital account correspond to items recorded in the GFS operating statement, mainly in the section relating to net acquisition of non-financial assets.

17.59 The balancing item net saving is the balance of the income account and is carried forward to the capital account. Net saving is not recorded in the GFS financial statements but can be derived, albeit with measurement differences compared with the ASNA.

17.60 Consumption of fixed capital is also not recorded in the GFS system, which uses instead the accounting measure of depreciation.

17.61 Capital transfers (receivable and payable) in the ASNA capital account are defined and measured in the same way as in the GFS system. They include capital grants between levels of government directly from the GFS system. Also included are so-called 'capital taxes'. In Australia, these are confined to the GFS tax classification category 'estate, inheritance and gift taxes', which is the sole source of information for the ASNA capital taxes item.

17.62 Gross fixed capital formation, changes in inventories and acquisitions less disposals of non-produced non-financial assets are defined and measured in the ASNA in the same way as in the GFS system. ASNA data for general government and public non-financial corporations are derived directly from the GFS system. Gross fixed capital formation comprises the following: acquisitions less disposals of new and second-hand produced assets, whereas acquisitions less disposals of non-financial non-produced assets relates to assets, such as mineral deposits and virgin forests, that have not been produced.

17.63 The net lending (+) / borrowing (–) in the ASNA is conceptually equal to the balancing item of the same name in the GFS system. However, in practice these items are different due to the use of different data sources and benchmarking.

17.64 Similarly, the ASNA item gross saving and capital transfers is equivalent, apart from minor measurement differences, to the GFS net operating balance plus depreciation (sometimes referred to as the 'gross operating balance'). The measurement differences affecting the equivalence are those (discussed in previous paragraphs) that affect comparability of common components of gross saving and the gross operating balance.

17.65 The ASNA financial account records all changes to financial assets and liabilities arising from transactions. It corresponds to the financial assets and liabilities section of the transactions column in the GFS statement of stocks and flows. Net acquisition of financial assets refers to acquisition less disposal of financial assets and net acquisition of liabilities refers to acquisition less disposal of liabilities and equity. These items are equivalent in concept to the GFS items relating to net transactions in financial assets and net transactions in liabilities and equity, respectively. However, the GFS system is not the source of data for the ASNA financial account, with the result that these items are unlikely to carry exactly the same values in ASNA and the GFS system. There are also differences between ASNA and the GFS system in the way that these broad items are broken down into financial instrument categories. The ASNA financial instrument classification is more detailed, but does not include the GFS distinction between acquisition of financial assets for policy and liquidity management purposes.

17.66 The balancing item net change in financial position in the ASNA financial account is identical conceptually to net lending / borrowing, but is derived differently. As a result of the different methods of derivation, recorded values for the two items are usually quite different. In the ASNA, the difference between the two items is recorded in an item called 'errors and omissions'. Thus, although GFS values for net lending / borrowing should be equal to the ASNA values for change in financial position, in practice they are not.

17.67 The ASNA balance sheet records the value of assets and liabilities (including equity) and is identical in concept to the GFS balance sheet. However, GFS data are not used in the compilation of the ASNA balance sheet and the values recorded are not likely to be identical. Most of the ASNA data are compiled using the perpetual inventory method in relation to the estimation of consumption of fixed capital whereas the GFS data are obtained directly from public sector accounting records. The classification of assets and liabilities in the two systems has points of concordance at a broad level, but the ASNA classification is generally more detailed than the GFS classification.

17.68 The ASNA accumulation and revaluation accounts record net capital formation, financial transactions, and changes to the balance sheet values of assets, liabilities and equity arising from revaluations (i.e. price changes) and events other than transactions and revaluations. The accounts record the same information (albeit in a different format) to that recorded respectively in the columns relating to transactions, revaluations and other changes in the volume of assets in the GFS statement of stocks and flows. The item net capital formation is equal to net acquisition of non-financial assets less consumption of fixed capital and cannot be derived exactly in the GFS system because it uses depreciation in lieu of consumption of fixed capital. The item financial transactions refers to net acquisition of financial assets and liabilities and can be derived in the GFS system, but will carry different values due to the use of different data sources. The ASNA data relating to revaluations and other changes in the volume of assets are identical in concept to the GFS items of the same name, but the data for the items are derived from different sources and the recorded values are unlikely to be the same. As well, revaluations arising from interest rate changes to marketed securities are not captured in the GFS system).

PART D - RELATIONSHIP TO THE AUSTRALIAN ACCOUNTING STANDARDS

17.69 The main sources of GFS data are the accounting and budget management systems that underlie public sector accounts and are in compliance with Australian Accounting Standards *AASB 1049: Whole of Government and General Government Sector Financial Reporting.* Accounting and statistical reports serve different purposes and differences between the underlying concepts are to be expected. On the other hand, there are many similarities between the purposes and concepts. For example, in AASB 1049 the term 'entities' is used rather than 'units', and the reporting entity is the *whole of government*, which corresponds to the total public sector in GFS terms, and the *General Government Sector*.

Compliance with AGFS

17.70 Paragraphs 9 to 18D of AASB 1049 set out the compliance requirements of Australian Accounting Standards and AGFS. In particular, paragraph 13 of the AASB 1049 states:

> where compliance with the ABS GFS Manual would not conflict with Australian Accounting Standards, the principles and rules in the ABS GFS Manual shall be applied. In particular, certain Australian Accounting Standards allow optional treatments within their scope. Those optional treatments in Australian Accounting Standards aligned with the principles or rules in the ABS GFS Manual shall be applied.

Financial statements

17.71 AASB 1049 requires that governments prepare a specified set of financial reports for the whole of government comprising a:

- statement of comprehensive income;
- statement of financial position;
- statement of changes in equity; and
- statement of cash flows

17.72 Tables 17.12 to 17.15 provide examples of each of the financial statements, which are reproduced (without the notes to the accounts).

Table 17.12 - Whole of government statement of comprehensive income

	$
Revenue from transactions	
Taxation revenue	*xx*
Other revenue	*xx*
Interest, other than swap interest	*xx*
Dividends from associates (part of share of net profit / (loss) from associates)	*xx*
Sales of goods and services	*xx*
Other current revenues	*xx*
Expenses from transactions	
Employee benefits expense	*xx*
Wages, salaries and supplements	*xx*
Superannuation	*xx*
Use of goods and services	*xx*
Depreciation	*xx*
Interest, other than swap interest and superannuation interest expenses	*xx*
Subsidy expenses	*xx*
Grants	*xx*
Social benefits	*xx*
Superannuation net interest expenses	*xx*
Loss on write-off of financial assets at fair value through operating result	*xx*
Net result from transactions - net operating balance	***xx***
Other economic flows included in operating result	
Other revenue	*xx*
Net swap interest revenue	*xx*
Net foreign exchange gains	*xx*
Net gain on sale of non-financial assets	*xx*
Net gain on financial assets or liabilities at fair value through operating result	*xx*
Net actuarial gains	*xx*
Amortisation of non-produced assets	*xx*
Doubtful debts	*xx*
Share of net profit / (loss) from associates, excluding dividends	*xx*
Operating result	***xx***
Other economic flows - other comprehensive income	***xx***
Items that will not be reclassified to operating result	
Revaluations	*xx*
Items that will not be reclassified subsequently to operating result	
Net gain on financial assets measured at fair value	*xx*
Comprehensive result - total change in net worth before transactions with owners in their capacity as owners	***xx***
Key fiscal aggregates	
Net lending / borrowing	***xx***
plus Net acquisition / (disposal) of non-financial assets from transactions	*xx*

Net operating balance	***xx***
plus Net other economic flows	*xx*
Total change in net worth before transactions with owners in their capacity as owners	***xx***

Table 17.13 - Whole of government statement of financial position

	$
Assets	
Financial assets	
Cash and deposits	*xx*
Accounts receivable	*xx*
Securities other than shares	*xx*
Loans	*xx*
Advances	*xx*
Shares and other equity	*xx*
Investments accounted fro using equity method	*xx*
Investments in other entities	*xx*
Non-financial assets	
Produced assets	*xx*
Inventories	*xx*
Machinery and equipment	*xx*
Buildings and structures	*xx*
Intangibles	*xx*
Valuables	*xx*
Non-produced assets	*xx*
Land	*xx*
Intangibles	*xx*
Total assets	***xx***
Liabilities	
Deposits held	*xx*
Accounts payable	*xx*
Securities other than shares	*xx*
Borrowing	*xx*
Superannuation	*xx*
Provisions	*xx*
Total liabilities	***xx***
Net assets / liabilities	***xx***
Accumulated surplus / (deficit)	*xx*
Other reserves	*xx*
Net Worth	***xx***

Table 17.14 - Whole of government statement of changes in equity

	Accumulated surplus / (deficit)	Asset revaluation reserve	Accumulated net gain on financial assets	Total equity
Equity as at 1 July 20XX	xx	xx	xx	xx
Total comprehensive result	xx	xx	xx	xx
Equity at 30 June 20XX	xx	xx	xx	xx

Table 17.15 - Whole of government statement of cash flows

	$
Cash Flows from Operating Activities	
Cash received	*xx*
Taxes received	*xx*
Sales of goods and services	*xx*
Interest, excluding swap interest	*xx*
Dividends from associates	*xx*
Other receipts	*xx*
Cash Paid	*xx*
Payments to and on behalf of employees	*xx*
Purchases of goods and services	*xx*
Interest, excluding swap interest	*xx*
Subsidies	*xx*
Grants	*xx*
Social benefits	*xx*
Other payments	*xx*
Net cash flows from operating activities	***xx***
Cash flows from investing activities	
Non-financial assets	
Sales of non-financial assets	*xx*
Purchases of new non-financial assets	*xx*
Net cash flows from investments in non-financial assets	*xx*
Financial assets (policy purposes)	*xx*
Purchases of investments	*xx*
Net cash flows from investments in financial assets (policy purposes)	*xx*
Financial assets (liquidity purposes)	*xx*
Sales of investments	*xx*
Purchases of investments	*xx*
Net cash flows from investing activities	*xx*
Cash flows from financing activities	*xx*
Cash received	*xx*
Borrowing	*xx*
Deposits received	*xx*
Swap Interest	*xx*

Other financing	*xx*
Net cash flows from financing activities	***xx***
Net Increase in cash and cash equivalents	***xx***
Cash and cash equivalents at beginning of year	*xx*
Cash and cash equivalents at end of year	***xx***
Key fiscal aggregates	
Net cash flows from operating activities	*xx*
Net cash flows from investments in non-financial assets	*xx*
Cash surplus / (deficit)	***xx***

Classifications of flows and stocks

17.73 AASB 1049 does not specify requirements for standard classification of stocks and flows in the same way as the GFS system. Certain classification requirements are specified, but a degree of judgement is implied in the document. The illustrative examples that accompany AASB 1049 provide explanations of selected key technical terms, which contain information on certain standard classification items in the GFS.

Time of recording

17.74 Both AASB 1049 and the GFS system require an accrual basis of recording. The time of recording a transaction is elaborated in the GFS system while the time of recording for the application of AASB 1049 needs to be undertaken in conjunction with other accounting standards as appropriate. Nevertheless, because the ABS is generally not in a position to obtain data initially on any timing basis other than that recorded in the accounts of each jurisdiction, differences between jurisdictions' AASB 1049 reports and GFS will only arise if significant divergences come to the ABS' notice.

Valuation

17.75 As discussed in previous sections of this manual, the ABS GFS standard recommend valuation of all economic stocks and flows are at the current market value. In general, accounting standards uses historical cost (i.e. cost of acquisition) as a starting point and depending on the type of economic stocks and flows, accounting standards permit and / or require fair value measurement valuation bases. For example, current replacement cost may be used as a fair value measurement basis for the valuation of non-current. Market value is recommended for certain marketed securities and preparation of supporting reports on current cost accounting basis is recommended but not mandated.

Differences in the treatment of flows and stocks

17.76 While there are many similarities between the purposes and concepts contained in both AASB 1049 and the ABS GFS Manual, there are also some differences. Paragraph 42 of AASB 1049 lists some examples of differences in the treatment of flows and stocks for GFS purposes as:

(a) in a whole of government and General Government Sector context:
- the recognition of doubtful debts;
- provisions recognised as liabilities;
- valuation of inventories; and
- valuation of investments in associates.

(b) in a whole of government context only:
- the valuation and measurement of non-controlling interest in controlled entities; and
- the classification of outgoing dividends.

17.77 Certain internal transfers that are recognised as revenues or expenses in accounting standards are not regarded in the GFS system as economic flows and so are not recorded in the GFS system. Allowances for bad or doubtful debts are an important example. These are not recognised in the GFS system. In the GFS system, bad debts are only recognised when written off. Bad debts written off are treated as other changes in the volume of assets if they are written off unilaterally by the creditor, or as capital transfers if they are written off by mutual agreement between creditor and debtor.

17.78 In accounting standards the revision of an accounting estimate is recognised as a revenue or an expense in the accounting period in which the estimate is revised. Where the revised estimates affect the current reporting period, the revised estimate is recognised in that reporting period only. However, where the revised estimates affect both the current and future reporting periods, the revised estimate is recognised for the period of change and future reporting periods. Importantly from a GFS perspective, Australian accounting standards require that accounting estimates recognised in prior accounting periods must not be revised with retrospective effect on prior financial statements.

17.79 In the GFS system, material revisions affecting prior-period statistics are usually applied to the past data and are not applied as a cumulative amendment to current-period data. In ABS GFS statistics such adjustments are made to past periods if: (i) the information could reasonably have been expected to be known in the past; (ii) is material in at least one of the affected periods; and (iii) can be reliably assigned to the relevant period(s). In all other cases, the adjustment would be recognised as a current period 'other economic flow'. In other words, there is no embargo on amendment of statistics for prior periods as in Australian accounting standards. Where revisions of past data are identified in accounting reports, the different treatment will result in differences between GFS and AASB 1049 financial statements for the current period and prior periods affected by the revision.

17.80 In accounting standards, dividend payments are recorded as distributions and do not affect the derivation of the operating surplus / deficit. In the GFS system, dividends paid by public corporations are treated as expenses and as determinants of the GFS net operating balance of the public corporations. This treatment is adopted in order to maintain a correspondence between the GFS net operating balance and ASNA saving concepts. Subject to measurement differences, the GFS net operating balance is equal to the ASNA concept of net saving plus capital transfers. The different treatment in the GFS system of dividend payments affects comparisons of public corporations’ data relating to the GFS net operating balance and the operating surplus / deficit in AASB 1049 financial statements.

17.81 In certain circumstances, the GFS system may treat transactions as repayments of equity that would be recorded as dividend payments in accounting standards. In the GFS system, dividends are viewed as payable from savings. Conversely, dividends not arising from savings, such as dividends arising from sales of assets, may be viewed as return of equity to owners. Such instances, which affect dividend receipts by public sector entities as well as dividend payments by public corporations, are rare and are treated on a case by case basis.

17.82 The GFS system treats unincorporated entities in the public sector as quasi-corporations if they operate in the same way as corporations (see Chapter 2 of this manual). By definition, quasi-corporations that are classified as public non-financial corporations or financial corporations are owned by general government units. The equity of general government units in such quasi-corporations is defined as equal to the total value of the quasi-corporations’ assets less the total value of their liabilities. No such recognition of quasi-corporate equity is made in accounting standards, which record only documented equity (e.g. shares on issue). This difference between the GFS system and accounting standards affects only comparisons of data for the GFS institutional components (i.e. general government, public non-financial corporations, public financial corporations) with similarly segmented accounting data. Comparisons of data for the public sector as a whole are not affected because the equity holdings are eliminated in consolidation.

Reconciliation between AASB 1049 and GFS

17.83 Paragraph 18B of AASB 1049 requires that where key fiscal aggregates presented on the face of the financial statements differ from those measured in accordance with the ABS GFS manual, a reconciliation of the two measures and / or an explanation of the differences is required to be disclosed so that users are informed about the relationship between GAAP and GFS.

APPENDIX 1 - PART A - GOVERNMENT FINANCE STATISTICS CLASSIFICATIONS FRAMEWORK

INSTITUTIONAL SECTOR CLASSIFICATION

A1A.1 The *institutional sector classification* (INST) used in Australia's Government Finance Statistics (GFS) system is a standard classification which defines institutional sectors that are also included in the standard economic sector classifications of Australia (SESCA). An institutional sector groups together similar kinds of institutional units according to the nature of the economic activity they undertake. The general government sector, public non-financial corporation sector, and public financial corporation sector equate to the total public sector. The INST is shown in Table A1A.1 below.

Table A1A.1 - Institutional sector classification

INST	Descriptor
100	Public non-financial corporations
200	Public financial corporations
300	General government

LEVEL OF GOVERNMENT CLASSIFICATION

A1A.2 The level of government classification (LOG) used in Australia's GFS system is a standard Australian Bureau of Statistics (ABS) classification that is included in the SESCA. This classification divides the total public sector into three tiers of government to reflect the administrative and legal arrangements of government in Australia for output purposes. Although conceptually control not further defined is not a level of government by convention, this has been allocated as a level of government in the Australian GFS classification system. The corresponding levels of the total public sector in Australia are described in Table A1A.2.

Table A1A.2 - Level of government classification

LOG	Descriptor
1	Commonwealth
2	State / Territory [1]
3	Local
4	Control not further defined [2]

[1] Includes Norfolk Island.
[2] Includes public universities.

JURISDICTION CLASSIFICATION

A1A.3 The jurisdiction classification (JUR) further divides the total public sector into classes based on the government which exercises control over a particular institutional unit. The classes refer to the governments of the Commonwealth and the individual Australian states and territories and are called jurisdictions. In this context, the term 'jurisdiction' is indicative of the public sector units over which the Commonwealth Government or an individual state or territory government has direct control or (in the case of local government authorities) the government which administers the legislation under which the authority is established. The categories making up the jurisdiction classification (JUR) are shown in Table A1A.3 below.

Table A1A.3 - Jurisdiction classification

JUR	Descriptor
0	Commonwealth
1	New South Wales
2	Victoria
3	Queensland
4	South Australia
5	Western Australia
6	Tasmania
7	Northern Territory
8	Australian Capital Territory
9	Norfolk Island

THE SOURCE DESTINATION CLASSIFICATION

A1A.4 The source destination classification (SDC) is a classification that is used for the identification of the sector that is the source or destination of transactions in, and stocks of, assets and liabilities in the Australian GFS. The SDC identifies the source of the funds if a transaction is an operating revenue or a cash receipt, and the destination of the funds if the transaction is an operating expense or a cash payment. For balance sheet items, the SDC identifies the sector in which a financial asset is held and the sector to which a liability is owed. The SDC is shown in Table A1A.4 below.

Table A1A.4 - Source destination classification

SDC	Descriptor
1	**Public Sector**
110	Commonwealth public non-financial corporations
120	Commonwealth public financial corporations
130	Commonwealth general government
21j	State / territory public non-financial corporations
22j	State / territory public financial corporations
23j	State / territory general government
31j	Local public non-financial corporations
32j	Local public financial corporations
33j	Local general government
41j	Control not further defined public non-financial corporations
42j	Control not further defined public financial corporations
43j	Control not further defined general government
911	Resident private non-financial corporations
912	Resident private depository corporations
913	Resident households
914	Resident non-profit institutions serving households
915	Other resident private financial corporations
919	Residents not elsewhere classified
921	Non-resident private depository corporations
929	Non-residents not elsewhere classified

Please note: j denotes the state / territory of jurisdiction.

THE ECONOMIC TYPE FRAMEWORK

A1A.5 The *economic type framework* (ETF) is the primary framework that is used to classify flows (transactions, holding gains and losses and other volume changes) and stocks (assets and liabilities) according to their economic nature in GFS. The structure of the ETF is hierarchical, and consists of a 2-digit level (major group), a 3-digit level (group), and a 4-digit level (subgroup). The major groups reflect the primary financial statements of the government at the broadest level, and the groups and subgroups contain detail which comprise the major group. The full classification comprises:

- *revenue and expenses* (ETF 1);
- *statement of sources and uses of cash* (ETF 2);
- *transactions in financial assets and liabilities* (ETF 3);
- *transactions in non-financial assets (excluding depreciation)* (ETF 4);
- *other economic flows of assets and liabilities* (ETF 5);
- *intra-unit transfers* (ETF 6);
- *supplementary information* (ETF 7); and
- *balance sheet* (ETF 8).

The ETF is shown in Table A1A.5 below.

Table A1A.5 - Economic Type Framework

Descriptor	Classification codes
REVENUE AND EXPENSES	**ETF 1**
Revenue	ETF 11
Taxation revenue	ETF 111
Taxes on income	ETF 1111 TC SDC
Other current taxes	ETF 1112 TC SDC
Taxes on products	ETF 1113 TC SDC
Other taxes on production	ETF 1114 TC SDC
Capital taxes	ETF 1115 TC SDC
Sales of goods and services	**ETF 112**
Sales by market establishments	ETF 1121 COFOG-A SDC
Administrative fees	ETF 1122 COFOG-A SDC
Incidental sales by non-market establishments	ETF 1123 COFOG-A SDC
Imputed sales of goods and services	ETF 1124 COFOG-A SDC
Property income	**ETF 113**
Interest income	ETF 1131 SDC

Dividend income	ETF 1132 SDC
Withdrawals from income of quasi-corporations	ETF 1133 SDC
Land rent income	ETF 1134 SDC
Royalty income	ETF 1135 SDC
Revenue from investment funds	ETF 1136 SDC
Reinvested earnings on foreign direct investment	ETF 1137 SDC
Property income not elsewhere classified	ETF 1139 SDC
Other current revenue	**ETF 114**
Revenue from current grants and subsidies	ETF 1141 SDC
Fines, penalties and forfeits	ETF 1142 SDC
Premiums, fees and current claims related to non-life insurance and standardised guarantee schemes	ETF 1143 SDC
Other current revenue not elsewhere classified	ETF 1149 SDC
Capital revenue	**ETF 115**
Revenue from capital grants	ETF 1151 SDC
Assets acquired below market value	ETF 1152 NFAC COFOG-A SDC
Capital claims related to non-life insurance and standardised guarantee schemes	ETF 1153 SDC
Capital revenue not elsewhere classified	ETF 1159 SDC
Expenses	**ETF 12**
Superannuation expenses	**ETF 121**
Superannuation expenses - defined contribution scheme	ETF 1211 COFOG-A SDC
Superannuation expenses - defined benefit scheme	ETF 1212 COFOG-A SDC
Imputed employers' contributions - defined benefit scheme	ETF 1213 COFOG-A SDC
Other employee expenses	**ETF 122**
Wages, salaries and supplements in cash	ETF 1221 COFOG-A SDC
Wages and salaries in kind	ETF 1222 COFOG-A SDC
Fringe Benefits Tax (FBT) expenses	ETF 1223 COFOG-A SDC
Workers' compensation expenses	ETF 1224 COFOG-A SDC

Other employee expenses not elsewhere classified	ETF 1229 COFOG-A SDC
Non-employee expenses	**ETF 123**
Production tax expenses	ETF 1231 COFOG-A TC SDC
Social benefits to households in goods and services	ETF 1232 COFOG-A SDC
Use of goods and services	ETF 1233 COFOG-A SDC
Non-employee expenses not elsewhere classified	ETF 1239 COFOG-A SDC
Depreciation	**ETF 124**
Depreciation of fixed assets (non-defence)	ETF 1241 NFAC COFOG-A
Depreciation of fixed assets (defence)	ETF 1242 NFAC COFOG-A
Current transfer expenses	**ETF 125**
Current grants expenses	ETF 1251 COFOG-A SDC
Subsidies on products	ETF 1252 COFOG-A SDC
Other subsidies on production	ETF 1253 COFOG-A SDC
Current monetary transfers to households	ETF 1254 COFOG-A SDC
Tax expenses	ETF 1255 COFOG-A TC SDC
Premiums, fees and current claims related to non-life insurance and standardised guarantee schemes	ETF 1256 COFOG-A SDC
Current transfer expenses not elsewhere classified	ETF 1259 COFOG-A SDC
Capital transfer expenses	**ETF 126**
Capital grant expenses	ETF 1261 COFOG-A SDC
Assets donated	ETF 1262 NFAC COFOG-A SDC
Capital claims related to non-life insurance and standardised guarantee schemes	ETF 1263 COFOG-A SDC
Capital transfer expenses not elsewhere classified	ETF 1269 COFOG-A SDC

Interest expenses	**ETF 127**
Interest on defined benefit superannuation	ETF 1271 COFOG-A SDC
Interest expense not elsewhere classified	ETF 1279 COFOG-A SDC
Other property expenses	**ETF 128**
Income transferred by public corporations	ETF 1281 COFOG-A SDC
Withdrawal from income of quasi-corporations	ETF 1282 COFOG-A SDC
Land rent and royalty expenses	ETF 1283 COFOG-A SDC
Dividends to shareholders	ETF 1284 COFOG-A SDC
Reinvested earnings on foreign direct investments	ETF 1285 COFOG-A SDC
Property expense for investment income disbursements	ETF 1286 COFOG-A SDC
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Interest received	ETF 2115 SDC
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Cash paid for employee superannuation - defined contribution schemes	ETF 2121 SDC
Cash paid for employee superannuation - defined benefit schemes	ETF 2122 SDC
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Salary sacrifice expenses - items other than superannuation	ETF 2124 SDC
Cash payments for employee expenses not elsewhere classified	ETF 2129 SDC
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Cash paid for the purchase of other goods and services	ETF 2131 SDC
Subsidies paid	ETF 2132 SDC
Grants paid	ETF 2133 SDC
Other transfer payments	ETF 2134 SDC
Interest paid	ETF 2135 SDC
Distributions paid	ETF 2136 SDC
Cash payments for non-employee expenses not elsewhere classified	ETF 2139 SDC
Cash flows from transactions in non-financial assets	**ETF 22**
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Purchases of new non-financial assets	ETF 2211 SDC
Purchases of second hand non-financial assets	ETF 2212 SDC
Sales of non-financial produced assets	ETF 2213 SDC
Cash flows from transactions in financial assets for policy purposes	**ETF 23**
Advances paid (net)	**ETF 231**
Advances paid - concessional loans	ETF 2311 SDC
Advances paid other than concessional loans	ETF 2312 SDC
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Borrowing (net)	ETF 2521 SDC
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Change in inventories	ETF 4111 NFAC COFOG-A
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Own-account capital formation	ETF 4113 NFAC COFOG-A
Acquisitions of other new non-financial assets	ETF 4114 NFAC COFOG-A SDC
Acquisitions of second hand non-financial assets	ETF 4115 NFAC COFOG-A SDC
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Holding gains and losses on non-financial assets	ETF 5112 NFAC

Holding gains and losses on liabilities	ETF 5113 FALC
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Other changes in volume	**ETF 521**
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Implicit transfers receivable from concessional loans	ETF 7111
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Provisions for doubtful debts	**ETF 731**
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Debt by maturity valued at market value	**ETF 741**

Short-term debt by original maturity valued at market value	ETF 7411 FALC SDC
Long-term debt with payment due within one year or less valued at market value	ETF 7412 FALC SDC
Long-term debt with payment due in more than one year valued at market value	ETF 7413 FALC SDC
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Salary sacrifice expenses	**ETF 751**
Salary sacrifice expenses - superannuation	ETF 7511 SDC
Salary sacrifice expenses not elsewhere classified	ETF 7519 SDC
Own-account capital formation	**ETF 76**
Own-account superannuation payments	**ETF 761**
Own-account actual employers' contributions - defined contribution scheme	ETF 7611 NFAC COFOG-A
Own-account actual employers' contributions - defined benefit scheme	ETF 7612 NFAC COFOG-A
Own-account imputed employers' contributions - defined benefit scheme	ETF 7613 NFAC COFOG-A
Own-account employee payments other than superannuation	**ETF 762**
Own-account wages, salaries and supplements in cash	ETF 7621 NFAC COFOG-A
Own-account wages, salaries and supplements in kind	ETF 7622 NFAC COFOG-A
Own-account salary sacrifice payments - superannuation	ETF 7623 NFAC COFOG-A
Own-account salary sacrifice payments - items other than superannuation	ETF 7624 NFAC COFOG-A
Own-account Fringe Benefits Tax (FBT) payments	ETF 7625 NFAC COFOG-A
Own-account workers' compensation payments	ETF 7626 NFAC COFOG-A
Own-account employee payments not elsewhere classified	ETF 7629 NFAC COFOG-A
Own-account non-employee payments	**ETF 763**
Own-account use of goods and services	ETF 7631 NFAC COFOG-A
Own-account depreciation of non-financial produced assets	ETF 7632 NFAC COFOG-A
Own-account taxes on production less other subsidies on production	ETF 7633 NFAC COFOG-A

Own-account non-employee payments not elsewhere classified	ETF 7639 NFAC COFOG-A
BALANCE SHEET	**ETF 8**
Assets	**ETF 81**
Assets	**ETF 811**
Financial assets	ETF 8111 FALC SDC
Non-financial assets	ETF 8112 NFAC
Liabilities	**ETF 82**
Liabilities	**ETF 821**
Liabilities	ETF 8211 FALC SDC
Net worth	**ETF 83**
Net worth	**ETF 831**
Net worth	ETF 8311

Revenue and expenses (ETF 1)

A1A.6 *Revenue and expenses* (ETF 1) is the part of the ETF framework that records the revenue and expenses of public sector units in GFS. The full classification of revenue and expenses is shown in Table A1A.6 below:

Table A1A.6 - Revenue and expenses (ETF 1)

Descriptor	**Classification codes**
REVENUE AND EXPENSES	**ETF 1**
Revenue	**ETF 11**
Taxation revenue	**ETF 111**
Taxes on income	ETF 1111 TC SDC
Other current taxes	ETF 1112 TC SDC
Taxes on products	ETF 1113 TC SDC
Other taxes on production	ETF 1114 TC SDC
Capital taxes	ETF 1115 TC SDC
Sales of goods and services	**ETF 112**
Sales by market establishments	ETF 1121 COFOG-A SDC
Administrative fees	ETF 1122 COFOG-A SDC
Incidental sales by non-market establishments	ETF 1123 COFOG-A SDC

Imputed sales of goods and services	ETF 1124 COFOG-A SDC
Property income	**ETF 113**
Interest income	ETF 1131 SDC
Dividend income	ETF 1132 SDC
Withdrawals from income of quasi-corporations	ETF 1133 SDC
Land rent income	ETF 1134 SDC
Royalty income	ETF 1135 SDC
Revenue from investment funds	ETF 1136 SDC
Reinvested earnings on foreign direct investment	ETF 1137 SDC
Property income not elsewhere classified	ETF 1139 SDC
Other current revenue	**ETF 114**
Revenue from current grants and subsidies	ETF 1141 SDC
Fines, penalties and forfeits	ETF 1142 SDC
Premiums, fees and current claims related to non-life insurance and standardised guarantee schemes	ETF 1143 SDC
Other current revenue not elsewhere classified	ETF 1149 SDC
Capital revenue	**ETF 115**
Revenue from capital grants	ETF 1151 SDC
Assets acquired below market value	ETF 1152 NFAC COFOG-A SDC
Capital claims related to non-life insurance and standardised guarantee schemes	ETF 1153 SDC
Capital revenue not elsewhere classified	ETF 1159 SDC
Expenses	**ETF 12**
Superannuation expenses	**ETF 121**
Superannuation expenses - defined contribution scheme	ETF 1211 COFOG-A SDC
Superannuation expenses - defined benefit scheme	ETF 1212 COFOG-A SDC
Imputed employers' contributions - defined benefit scheme	ETF 1213 COFOG-A SDC
Other employee expenses	**ETF 122**
Wages, salaries and supplements in cash	ETF 1221 COFOG-A SDC

Wages and salaries in kind	ETF 1222 COFOG-A SDC
Fringe Benefits Tax (FBT) expenses	ETF 1223 COFOG-A SDC
Workers' compensation expenses	ETF 1224 COFOG-A SDC
Other employee expenses not elsewhere classified	ETF 1229 COFOG-A SDC
Non-employee expenses	**ETF 123**
Production tax expenses	ETF 1231 COFOG-A TC SDC
Social benefits to households in goods and services	ETF 1232 COFOG-A SDC
Use of goods and services	ETF 1233 COFOG-A SDC
Non-employee expenses not elsewhere classified	ETF 1239 COFOG-A SDC
Depreciation	**ETF 124**
Depreciation of fixed assets (non-defence)	ETF 1241 NFAC COFOG-A
Depreciation of fixed assets (defence)	ETF 1242 NFAC COFOG-A
Current transfer expenses	**ETF 125**
Current grants expenses	ETF 1251 COFOG-A SDC
Subsidies on products	ETF 1252 COFOG-A SDC
Other subsidies on production	ETF 1253 COFOG-A SDC
Current monetary transfers to households	ETF 1254 COFOG-A SDC
Tax expenses	ETF 1255 COFOG-A TC SDC
Premiums, fees and current claims related to non-life insurance and standardised guarantee schemes	ETF 1256 COFOG-A SDC
Current transfer expenses not elsewhere classified	ETF 1259 COFOG-A SDC
Capital transfer expenses	**ETF 126**
Capital grant expenses	ETF 1261 COFOG-A SDC

Assets donated	ETF 1262 NFAC COFOG-A SDC
Capital claims related to non-life insurance and standardised guarantee schemes	ETF 1263 COFOG-A SDC
Capital transfer expenses not elsewhere classified	ETF 1269 COFOG-A SDC
Interest expenses	**ETF 127**
Interest on defined benefit superannuation	ETF 1271 COFOG-A SDC
Interest expense not elsewhere classified	ETF 1279 COFOG-A SDC
Other property expenses	**ETF 128**
Income transferred by public corporations	ETF 1281 COFOG-A SDC
Withdrawal from income of quasi-corporations	ETF 1282 COFOG-A SDC
Land rent and royalty expenses	ETF 1283 COFOG-A SDC
Dividends to shareholders	ETF 1284 COFOG-A SDC
Reinvested earnings on foreign direct investments	ETF 1285 COFOG-A SDC
Property expense for investment income disbursements	ETF 1286 COFOG-A SDC
Other property expenses not elsewhere classified	ETF 1289 COFOG-A SDC

Revenue (ETF 11)

A1A.7 *Revenue* (ETF 11) consists of all increases in net worth resulting from transactions. Revenue transactions have counterpart entries either in an increase in assets, or a decrease in liabilities, increasing net worth. This category is further classified into:

- taxation revenue (ETF 111);
- sales of goods and services (ETF 112);
- property income (ETF 113);
- other current revenue (ETF 114); and
- capital revenue (ETF 115).

Taxation revenue (ETF 111)

A1A.8 *Taxation revenue* (ETF 111) consists of compulsory, unrequited amounts receivable by government units from institutional units. Taxation revenue can be receivable in cash or in kind. It is considered to be unrequited because the government provides nothing directly to the individual unit in exchange for the payment. Governments may use the taxation revenue to provide goods or services to other units, either individually or collectively, or to the community as a whole. This category is further classified into:

- *taxes on income* (ETF 1111, TC, SDC);
- *other current taxes* (ETF 1112, TC, SDC);
- *taxes on products* (ETF 1113, TC, SDC);
- *other taxes on production* (ETF 1114, TC, SDC); and
- *capital taxes* (ETF 1115, TC, SDC).

Taxes on income (ETF 1111, TC, SDC)

A1A.9 *Taxes on income* (ETF 1111, TC, SDC) consists of taxes on income, profits and capital gains which include taxes assessed on the actual or presumed incomes of institutional units. The relevant taxes classification (TC) codes are:

- *personal income tax* (TC 111, SDC);
- *government health insurance levy* (TC 112, SDC);
- *mining withholding tax* (TC 113, SDC);
- *capital gains tax on individuals* (TC 114, SDC);
- *prescribed payments by individuals* (TC 115, SDC);
- *income and capital gains taxes levied on individuals not elsewhere classified* (TC 119, SDC);
- *company income tax* (TC 121, SDC);
- *income tax paid by superannuation funds* (TC 122, SDC);
- *capital gains taxes on enterprises* (TC 123, SDC);
- *prescribed payments by enterprises* (TC 124, SDC);
- *income and capital gains taxes levied on enterprises not elsewhere classified* (TC 129, SDC);
- *dividend withholding tax* (TC 131, SDC);
- *interest withholding tax* (TC 132, SDC); and
- *income taxes levied on non-residents not elsewhere classified* (TC 139, SDC).

Includes: Taxes assessed on holdings of property, land or real estate when these holdings are used as a basis for estimating the income of their owners; taxes on individual or household income such as personal income taxes and surtaxes; taxes on the income of the owners of unincorporated enterprises; income taxes on the income of family estates and trusts; taxes on the income of corporations such as corporate income taxes, corporate profits taxes and corporate surtaxes; taxes on the income of units such as partnerships, sole proprietorships and estates; taxes on capital gains (including capital gains distributions of investment funds) of persons or corporations that become payable during the current reporting period; taxes on winnings from lotteries or gambling; income taxes levied on non-residents; taxes on immovable property such as land, buildings and other structures that are levied on the basis of a presumed net income; taxes on the use of property for residence where the tax is payable by either proprietor or tenant and the amount payable is a function of the user's personal circumstances such as net income or the number of dependents.

Excludes: Taxes on the turnover of producers that organise gambling or lotteries (classified to *taxes on products* (ETF 113), *taxes on gambling* (TC 44), SDC).

Other current taxes (ETF 1112, TC, SDC)

A1A.10 *Other current taxes* (ETF 1112, TC, SDC) consists of current taxes on capital and miscellaneous current taxes other than taxes on income, taxes on products and other taxes on production. Current taxes on capital consists of those taxes that are periodically payable on the property or net wealth of institutional units not used by them for production. Miscellaneous current taxes consists of various different kinds of taxes payable periodically. The relevant taxes classification (TC) codes are:

- *fringe benefits tax* (TC 116, SDC);
- *stamp duty on vehicle registration* (TC 511, SDC 913);
- *heavy vehicle registration fees and taxes* (TC 513, SDC 913);
- *other vehicle registration fees and taxes* (TC 514, SDC 913);
- *motor vehicle taxes not elsewhere classified* (TC 519, SDC 913); and
- *departure tax* (TC 533, SDC 913).

Includes: Vehicle registration fees and taxes payable by persons or households; stamp duty on vehicle registration payable by persons or households; recurrent gross taxes on personal property, jewellery, cattle, other livestock, other particular items of property and external signs of wealth.

Excludes: Drivers' licences (classified to *administrative fees* (ETF 1122, COFOG-A, SDC); broadcasting listeners' licences (classified to *administrative fees* (ETF 1122, COFOG-A, SDC); television viewers' licences (classified to *administrative fees* (ETF 1122, COFOG-A, SDC).

Taxes on products (ETF 1113, TC, SDC)

A1A.11 *Taxes on products* (ETF 1113, TC, SDC) consists of taxes that are levied as a product specific unit tax. These taxes are levied per unit of quantity or price per unit of goods and services produced, sold, imported, exported, transferred, leased or delivered. They may be a specific amount per unit of quantity measured either in terms of discrete units or continuous physical variable such as volume, weigh or time or they may be a specific percentage of the price per unit. The relevant taxes classification (TC) codes are:

- *general taxes on provision of goods and services* (TC 41, SDC);
- *excises* (TC 42, SDC);
- *taxes on international trade* (TC 43, SDC);
- *taxes on gambling* (TC 44, SDC);
- *taxes on insurance* (TC 45, SDC); and
- *taxes on financial and capital transactions* (TC 46, SDC).

Includes: General taxes on provision of goods and services whether levied at manufacturer/producer, wholesale or retail level; value-added taxes; sales taxes; turnover and other general taxes on goods and services; excises; taxes on international trade; taxes on gambling; taxes on insurance; taxes on financial and capital transactions; taxes on the use of one's own property for special trading purposes such as selling alcohol, tobacco or meat.

Other taxes on production (ETF 1114, TC, SDC)

A1A.12 *Other taxes on production* (ETF 1114, TC, SDC) consists of taxes on production other than taxes on products. These taxes are levied as a result of enterprises engaging in the production of goods and services and they are payable irrespective of the profitability of the production. They may be payable on the labour, fixed assets and land used in the production process.

The relevant taxes classification (TC) codes are:

- *general payroll taxes* (TC 211, SDC);
- *superannuation guarantee charge* (TC 221, SDC);
- *other taxes on employers' payroll and labour force not elsewhere classified* (TC 299, SDC);
- *taxes on immovable property* (TC 31, SDC);
- *stamp duty on vehicle registration* (TC 511, SDC other than SDC 913)
- *road transport and maintenance taxes* (TC 512, SDC);
- *heavy vehicle registration fees and taxes* (TC 513, SDC other than SDC 913);
- *other vehicle registration fees and taxes* (TC 514, SDC other than SDC 913);

- *motor vehicle taxes not elsewhere classified* (TC 519, SDC other than SDC 913);
- *franchise taxes* (TC 52, SDC);
- *broadcasting station licences* (TC 531, SDC);
- *television station licenses* (TC 532, SDC);
- *departure tax* (TC 533, SDC other than SDC 913);
- *clean energy and related taxes* (TC 534, SDC);
- *taxes on the use of goods and performance of activities levied on non-residents* (TC 535, SDC); and
- *other taxes on the use of goods and performance of activities not elsewhere classified* (TC 539, SDC).

Includes: Taxes on employer's payroll or workforce; taxes on the use or ownership of immovable property such as land, buildings and other structures; registration taxes on vehicles used by producers; road transport and maintenance taxes; franchise taxes; broadcasting station licences; television station licences; taxes on construction, enlargement or alteration of all buildings or those whose value or use density exceeds a certain threshold; taxes on exploitation of natural resources such as land and subsoil assets not owned by government units, including taxes on extraction and exploitation of minerals and other resources; payments for licences that allow the beneficiary to carry out the business of exploitation of land and subsoil assets.

Excludes: Betterment levies (classified to *capital taxes* (ETF 1115, TC, SDC).

Capital taxes (ETF 1115, TC, SDC)

A1A.13 *Capital taxes* (ETF 1115, TC, SDC) consists of capital levies and taxes on capital transfers. Capital levies are imposed at irregular and infrequent intervals on the value of assets or net worth owned by institutional units. Taxes on capital transfers are imposed at irregular and infrequent intervals on the value of assets transferred between institutional units as a result of legacies, gifts or other transfers. The relevant taxes classification (TC) codes are:

- *estate, inheritance and gift taxes* (TC 321, SDC).

Includes: Betterment levies; estate, inheritance and gift taxes which covers taxes on transfers of property at death and on gifts, including gifts made between living members of the same family to avoid, or minimise the payment of inheritance taxes.

Sales of goods and services (ETF 112)

A1A.14 *Sales of goods and services* (ETF 112) consists of revenue from the direct provision of goods and services by general government and public enterprises. This category is further classified into:

- *sales by market establishments* (ETF 1121, COFOG-A, SDC);
- *administrative fees* (ETF 1122, COFOG-A, SDC);
- *incidental sales by non-market establishments* (ETF 1123, COFOG-A, SDC); and
- *imputed sales of goods and services* (ETF 1124, COFOG-A, SDC).

Sales by market establishments (ETF 1121, COFOG-A, SDC)

A1A.15 *Sales by market establishments* (ETF 1121, COFOG-A, SDC) consists of the sales by market establishments that are part of the units for which statistics are being compiled. An establishment is defined as part of an enterprise situated in a single location and at which only a single productive activity is carried out or principal productive activity accounts for most of the value added. A market establishment within a government unit is an establishment that sells or otherwise disposes of all or most of its output at prices that are economically significant.

Includes: Rental income under operating leases for produced assets such as buildings, ships, aircraft, vehicles and entertainment, literary or artistic originals.

Excludes: Sales of non-financial assets other than inventories (classified to *disposals of non-financial assets* (ETF

4211, NFAC, COFOG-A, SDC)); rental income from the use of non-produced assets such as land, deposits of minerals and fossil fuels (classified to *royalty income* (ETF 1135, SDC)).

Administrative fees (ETF 1122, COFOG-A, SDC)

A1A.16 *Administrative fees* (ETF 1122, COFOG-A, SDC) consists of fees for compulsory licences and other administrative fees that are sales of services. These fees are considered a sale of a service when issuing the licence or permit implies a proper regulatory function of the government.

Includes: Drivers' licences; court fees; radio and television licences when public authorities provide general broadcasting services; fees payable for voluntary participation in deposit insurance or other guarantee schemes that do not qualify to be a standardised guarantee scheme.

Incidental sales by non-market establishments (ETF 1123, COFOG-A, SDC)

A1A.17 *Incidental sales by non-market establishments* (ETF 1123, COFOG-A, SDC) consists of the sales of goods and services by non-market establishments of general government units other than administrative fees. These are sales incidental to the usual social or community activities of government departments and agencies.

Includes: Sales of products made at vocational schools; seeds from experimental farms; postcards and art reproductions by museums; fees at government hospitals and clinics; tuition fees at government schools; admission fees to government museums, parks and cultural and recreational facilities that are not public corporations.

Imputed sales of goods and services (ETF 1124, COFOG-A, SDC)

A1A.18 *Imputed sales of goods and services* (ETF 1124, COFOG-A, SDC) consists of imputed sales of goods and services when a government unit produces goods and services for the purpose of using them as compensation of employees in kind. In order to indicate the total amount paid as compensation of employees, it is necessary to treat the amount paid in kind as if it had been paid in cash as wages and salaries and then the employees had used this income to purchase the goods and services.

Includes: Imputed sales of financial services where an employer incurs costs of operating a defined contribution pension scheme itself.

Property income (ETF 113)

A1A.19 *Property income* (ETF 113) consists of the revenue receivable in return for putting financial assets and natural resources at the disposal of other entities. This category is further classified into:

- *interest income* (ETF 1131, SDC);
- *dividend income* (ETF 1132, SDC);
- *withdrawals from income of quasi-corporations* (ETF 1133, SDC);
- *land rent income* (ETF 1134, SDC);
- *royalty income* (ETF 1135, SDC);
- *revenue from investment funds* (ETF 1136, SDC);
- *reinvested earnings on foreign direct investment* (ETF 1137, SDC); and
- *property income not elsewhere classified* (ETF 1139, SDC).

Interest income (ETF 1131, SDC)

A1A.20 *Interest income* (ETF 1131, SDC) consists of interest income which is a form of investment income that is receivable by the owners of certain kinds of financial assets, such as SDRs, deposits, debt securities, loans and accounts receivable, in return for putting these financial assets and other resources at the disposal of another institutional unit.

Includes: Interest on advances to the private sector, public corporations, building societies and foreign governments; interest on bank account balances and fixed deposits held with banks, government securities, intra-sector deposits and short term money market balances; imputed interest that originates from interest foregone by employers when they provide loans to employees at reduced, or even zero rates of interest as part of the remuneration in kind of government and public sector employees; interest charged on overdue taxes, and financial intermediation services indirectly measured (FISIM) .

Dividend income (ETF 1132, SDC)

A1A.21 *Dividend income* (ETF 1132, SDC) consists of the distributed earnings allocated to government or public sector units, as the owners of equity, for placing funds at the disposal of corporations. Dividend income is generally not funded by sale of assets, capital restructure, borrowings or other credit arrangements.

<u>Includes</u>: Dividends to public enterprises from subsidiaries; dividends from shares held as investments in private and public corporations; transfers of income from public non-financial corporations and public financial corporations; profits of central banks transferred to government units; profits transferred or distributed from the operation of monetary authority functions outside the central bank; profits transferred by state lotteries that compete with other privately organised lotteries; issue of shares as a dividend; income from public corporations to general government in the nature of income tax equivalents; income from public corporations to general government in the nature of wholesale sales tax equivalents.

<u>Excludes</u>: Profits of fiscal monopolies (classified to *taxes on products* (ETF 1113, TC, SDC)); profits of export or import monopolies (classified to *taxes on products* (ETF 1113, TC, SDC)); dividends declared greatly in excess of the recent level of dividends and earnings (classified to *transactions in financial assets (net)* (ETF 3111), *equity including contributed capital* (FALC 124), SDC); interim dividends where evidence exists that such dividends are not from the current period's operating surplus (classified to *transactions in financial assets (net)* (ETF 3111), *advances other than concessional loans* (FALC 133), SDC).

Withdrawals from income of quasi-corporations (ETF 1133, SDC)

A1A.22 *Withdrawals from income of quasi-corporations* (ETF 1133, SDC) consists of that part of distributable income that the owner withdraws from the quasi-corporation.

<u>Excludes</u>: Withdrawals of funds realised from the sale or other disposal of the quasi-corporation's assets such as inventories, fixed assets, land or other non-produced assets (classified to *transactions in financial assets (net)* (ETF 3111, *equity including contributed capital* (FALC 124), SDC); withdrawals of funds realised from the liquidation of large amounts of accumulated retained earnings or other reserves (classified to *transactions in financial assets (net)* (ETF 3111), *equity including contributed capital* (FALC 124), SDC).

Land rent income (ETF 1134, SDC)

A1A.23 *Land rent income* (ETF 1134, SDC) consists of the revenue receivable by the owners of land (the lessor or landlord) for putting the asset at the disposal of another institutional unit (the lessee or tenant) for use in production.

<u>Includes</u>: Land rent in the territories; leasing of crown lands; rent payable to general government sector units for the use of inland waters and rivers (for the right to exploit such waters for recreational or other purposes including fishing); rent payable to government sector units for the use of non-cultivated land (for the right to cut timber on such land); permits that allow timber felling in natural forests under strict limits with a fee payable per unit volume of timber felled to ensure the harvest of timber is sustainable.

<u>Excludes</u>: Rent received for the use of buildings or other produced assets (classified to *sales by market establishments* (ETF 1121, COFOG-A, SDC)); payments made to the owners of natural forest where a unit is given permission to fell an area of natural forest, or to fell at its discretion without any restriction in perpetuity (classified to *disposals of non-financial assets* (ETF 4211, NFAC, COFOG-A, SDC), *non-cultivated biological resources* (NFAC 313), COFOG-A); payments made to the owners of forests that are produced assets, where a unit is given permission to fell an area of the forest, or to fell at its discretion without any restriction in perpetuity (classified to *sales by market establishments* (ETF 1121, COFOG-A, SDC)).

Royalty income (ETF 1135, SDC)

A1A.24 *Royalty income* (ETF 1135, SDC) consists of the revenue receivable by the owners of a natural resource other than land (the lessor or landlord) for putting the natural resource at the disposal of another institutional unit (a lessee or tenant) for use of the natural resource in production.

Includes: Off-shore petroleum, mineral royalties; timber royalties not relating to plantation and regrowth forests; payments to general government units in exchange for the right to undertake test drilling or otherwise investigate the existence and location of subsoil assets.

Excludes: rental of produced assets (classified to *sales by market establishments* (ETF 1121, COFOG-A, SDC)); severance taxes imposed on the extraction of minerals and fossil fuels from reserves owned privately or by another government (classified to *taxation revenue* (ETF 1111, TC, SDC); payments for a licence or permit to conduct extraction operations (classified to *taxation revenue* (ETF 1111, TC, SDC) and *taxes on the use of goods and performance of activities levied on non-residents* (TC 535)) or *other taxes on the use of goods and performance of activities not elsewhere classified* (TC 539)).

Revenue from investment funds (ETF 1136, SDC)

A1A.25 *Revenue from investment funds* (ETF 1136, SDC) consists of increases in the value of investment fund shares (other than from holding gains and after reinvested earnings are deducted) and retained earnings of foreign direct investment funds.

Reinvested earnings on foreign direct investment (ETF 1137, SDC)

A1A.26 *Reinvested earnings on foreign direct investment* (ETF 1137, SDC) consists of the direct investor's share of the retained earnings of the direct investment enterprise. It is a requirement that the retained earnings of a foreign direct investment enterprise be recorded as if they were distributed and remitted to foreign direct investors in proportion to their ownership of the equity in the enterprise and then reinvested by them by means of additions to equity.

Property income not elsewhere classified (ETF 1139, SDC)

A1A.27 *Property income not elsewhere classified* (ETF 1139, SDC) consists of property income that cannot be classified to *interest income* (ETF 1131, SDC), *dividend income* (ETF 1132, SDC), *withdrawals from income of quasi-corporations* (ETF 1133, SDC), *land rent income* (ETF 1134, SDC), *royalty income* (ETF 1135, SDC), *revenue from investment funds* (ETF 1136, SDC) or *reinvested earnings on foreign direct investment* (ETF 1137, SDC).

Other current revenue (ETF 114)

A1A.28 *Other current revenue* (ETF 114) consists of current revenue other than from taxation, sales of goods and services; property income, current grants and current transfers.

This category is further classified into:

- *revenue from current grants and subsidies* (ETF 1141, SDC);
- *fines, penalties and forfeits* (ETF 1142, SDC);
- *premiums, fees and current claims related to non-life insurance and standardised guarantee schemes* (ETF 1143, SDC); and
- *other current revenue not elsewhere classified* (ETF 1149, SDC).

Revenue from current grants and subsidies (ETF 1141, SDC)

A1A.29 *Revenue from current grants and subsidies* (ETF 1141, SDC) consists of revenue from grants for current purposes, and subsidies for current purposes. Current grants are current transfers receivable by government units, from other resident or non-resident government units or international organisations and that do not meet the definition of a tax, subsidy or a social contribution. Grants are normally receivable in cash, but may also take the form of the receipt of goods or services (in kind). Subsidies are current, unrequited transfers that government units make to enterprises on the basis of the level of their production activities or the quantities or values of the goods or services they produce, sell, export or import. Where current grants and subsidies are subject to contractual arrangements, the amount accruing in a period is the amount over which the recipient has gained control.

Includes: Grants in kind include goods and services that are consumed such as food contributions, blankets and medical and rescue services and supplies.

Fines, penalties and forfeits (ETF 1142, SDC)

A1A.30 *Fines, penalties and forfeits* (ETF 1142, SDC) consists of revenue from fines, penalties and forfeits. Fines and penalties are compulsory current transfers imposed on units by courts of law or quasi-judicial bodies for violations of laws or administrative rules. Forfeits are amounts that were deposited with a general government unit pending a legal or administrative proceeding and that have been transferred to the general government unit as part of the resolution of that proceeding.

Includes: Out-of-court agreements; bail set by courts when bail conditions have been violated; fines and penalties charged on overdue taxes; and penalties imposed for the evasion of taxes.

Excludes: Penalties imposed by tax authorities when it is not possible to separate payments of fines or other penalties from the taxes to which they relate (classified to the relevant category under *taxation revenue* (ETF 111); and penalties imposed by tax authorities that relate to unidentifiable taxes and that are not able to be separated from the taxes to which they relate (classified to *other current taxes* (ETF 1113, TC, SDC).

Premiums, fees and current claims related to non-life insurance and standardised guarantee schemes (ETF 1143, SDC)

A1A.31 *Premiums, fees and current claims related to non-life insurance and standardised guarantee schemes* (ETF 1143, SDC) consists of non-life insurance premiums receivable by insurance schemes to provide entitlement to insurance against risks; non-exceptional claims receivable from insurance schemes by beneficiaries; and fees receivable for the issuance of standardised guarantees.

Other current revenue not elsewhere classified (ETF 1149, SDC)

A1A.32 Other current revenue not elsewhere classified (ETF 1149, SDC) consists of current revenue that cannot be classified to revenue from current grants and subsidies (ETF 1141, SDC), fines, penalties and forfeits (ETF 1142, SDC) or premiums, fees and current claims related to non-life insurance and standardised guarantee schemes (ETF 1143, SDC).

Includes: Revenue of local governments in lieu of municipal rates; conscience money; unclaimed money such as unclaimed lottery prizes; unclaimed TAB dividends; and unclaimed money in bank accounts.

Capital revenue (ETF 115)

A1A.33 *Capital revenue* (ETF 115) consists of grants for capital purposes. This category is further classified into:

- *revenue from capital grants* (ETF 1151, SDC);
- *assets acquired below market value* (ETF 1152, NFAC, COFOG-A, SDC);
- *capital claims related to non-life insurance and standardised guarantee schemes* (ETF 1153, SDC); and
- *capital revenue not elsewhere classified* (ETF 1159, SDC).

Revenue from capital grants (ETF 1151, SDC)

A1A.34 *Revenue from capital grants* (ETF 1151, SDC) consists of revenue from grants for capital purposes. Capital grants are capital transfers receivable by government units, from other resident or non-resident government units or international organisations and that do not meet the definition of a tax, subsidy or a social contribution. Grants are normally receivable in cash, but may also take the form of the receipt of goods or services. Where capital grants are subject to contractual arrangements, the amount accruing in a period is the amount over which the recipient has gained control. A capital grant in kind necessarily concerns the change of ownership of a product previously recorded as a non-financial asset in the accounts of the donor government.

Includes: Aid of a capital nature.

Assets acquired below market value (ETF 1152, NFAC, COFOG-A, SDC)

A1A.35 *Assets acquired below market value* (ETF 1152, NFAC, COFOG-A, SDC) consists of the capital grant received when capital assets are acquired below current market value or without cost. The capital grant is equal to the difference between the current market value and the acquisition cost of the asset. This type of acquisition is recorded by imputation of equivalent transactions when they are of an economic nature and where valuations are realistically obtainable.

Capital claims related to non-life insurance and standardised guarantee schemes (ETF 1153, SDC)

A1A.36 *Capital claims related to non-life insurance and standardised guarantee schemes* (ETF 1153, SDC) consists of exceptionally large insurance settlements receivable in the wake of a catastrophic event or disaster.

Capital revenue not elsewhere classified (ETF 1159, SDC)

A1A.37 *Capital revenue not elsewhere classified* (ETF 1159, SDC) consists of capital revenue that cannot be classified to *revenue from capital grants* (ETF 1151, SDC), *assets acquired below market value* (ETF 1152, NFAC, COFOG-A, SDC) or c*apital claims related to non-life insurance and standardised guarantee schemes* (ETF 1153, SDC).

Includes: Transfers to sinking funds, capital levies from local government,

Excludes: Insurance settlement payments receivable for damage to property of a capital nature (classified to *capital claims related to non-life insurance and standardised guarantee schemes* (ETF 1162)).

Expenses (ETF 12)

A1A.38 *Expenses* (ETF 12) consists of all decreases in net worth resulting from transactions. Expense transactions have counterpart entries either in a decrease in assets or an increase in liabilities, decreasing net worth. Refunds, recoveries of overpayments, receivables on erroneous payments and similar transactions are transactions that are classified as a reduction in expense with a corresponding reduction in liabilities or an increase in financial assets, and as such, increase net worth. This category is further classified into:

- *superannuation expenses* (ETF 121);
- *other employee expenses* (ETF 122);
- *non-employee expenses* (ETF 123);
- *depreciation* (ETF 124);
- *current transfer expenses* (ETF 125);
- *capital transfer expenses* (ETF 126);
- *interest expenses* (ETF 127); and
- *other property expenses* (ETF 128).

Superannuation expenses (ETF 121)

A1A.39 *Superannuation expenses* (ETF 121) consists of accrued and imputed expenses under both defined contribution and defined benefit superannuation schemes in return for services provided by employees in the current period. A defined contribution superannuation scheme is one where the benefits payable to the employee on retirement are determined by the funds that have accumulated from employer and employee contributions over the working life of the employee, together with income and capital gains/losses arising from the investment of the accumulated funds. The funds are accumulated in a separate superannuation fund managed by a board of trustees or guardians of the scheme (autonomous fund). The general government employer has a responsibility to make the regular agreed contributions to the fund, but then has no further superannuation liability towards their employees. A defined benefit superannuation scheme is one where the benefits payable to the employee on retirement are defined by some formula normally related to participants' length of service and salary. This category is further classified into:

- *superannuation expenses – defined contribution scheme* (ETF 1211, COFOG-A, SDC);
- *superannuation expenses – defined benefit scheme* (ETF 1212, COFOG-A, SDC); and
- *imputed employers' contribution – defined benefit scheme* (ETF 1213, COFOG-A, SDC).

Superannuation expenses - defined contribution scheme (ETF 1211, COFOG-A, SDC)

A1A.40 *Superannuation expenses - defined contribution scheme* (ETF 1211, COFOG-A, SDC) consists of the amounts payable by employers to defined contribution superannuation schemes for the benefit of their employees.

Superannuation expenses - defined benefit scheme (ETF 1212, COFOG-A, SDC)

A1A.41 *Superannuation expenses - defined benefit scheme* (ETF 1212, COFOG-A, SDC) consists of the amounts payable by employers to defined benefit superannuation schemes for the benefit of their employees.

Imputed employers' contributions - defined benefit scheme (ETF 1213, COFOG-A, SDC)

A1A.42 *Imputed employers' contributions - defined benefit scheme* (ETF 1213, COFOG-A, SDC) consists of the amount of employer contributions to defined benefit superannuation schemes that would be needed to secure the de-facto entitlements to the benefits accumulated by their employees. Some employers provide benefits directly to their employees, former employees or their dependants from their own resources without involving an autonomous superannuation fund and without creating a special fund or segregated reserve for the purpose. This category is generally unused as superannuation is compulsory in Australia.

Other employee expenses (ETF 122)

A1A.43 *Other employee expenses* (ETF 122) consists of all employee expenses other than superannuation contributions, in cash or in kind, payable to an individual in an employer / employee relationship in return for work performed by the latter during the reporting period. This category is further classified into:

- *wages, salaries and supplements in cash* (ETF 1221, COFOG-A, SDC);
- *wages and salaries in kind* (ETF 1222, COFOG-A, SDC);
- *Fringe Benefits Tax (FBT) expenses* (ETF 1223, COFOG-A, SDC);
- *workers' compensation expenses* (ETF 1224, COFOG-A, SDC); and
- *other employee expenses not elsewhere classified* (ETF 1229, COFOG-A, SDC).

Wages, salaries and supplements in cash (ETF 1221, COFOG-A, SDC)

A1A.44 *Wages, salaries and supplements in cash* (ETF 1221, COFOG-A, SDC) consists of compensation of employees payable in cash, or any other financial instruments used as means of payments, in return for work performed.

Includes: Basic wages or salaries payable at regular weekly, monthly or other intervals, including payments by results and piecework payments; enhanced payments or special allowances for working overtime, at nights, on weekends or other irregular hours; allowances for working away from home or in disagreeable or hazardous circumstances; expatriation allowances for working abroad; supplementary allowances payable regularly such as housing allowances or allowances to cover the costs of travel to and from work; wages or salaries payable to employees away from work for short periods such as on vacation or as a result of a temporary halt to production; annual supplementary pay such as bonuses; ad hoc bonuses or other exceptional payments linked to the overall performance of the enterprise made under incentive schemes; commission, gratuities and tips received by employees; amounts withheld from wages and salaries by the employer for administrative convenience or for other reasons such as income taxes or other deductibles, payable by the employee; employee benefits, such as a car or extra pension contributions, that is acquired from the employer by foregoing some salary.

Excludes: Wages and salaries connected with own account capital formation (classified to *own-account capital formation* (ETF 4113, NFAC, COFOG-A), and also classified to either *own-account wages, salaries and supplements in cash* (ETF 7621, NFAC, COFOG-A) or *own-account wages and salaries in kind* (ETF 7622, NFAC, COFOG-A)); reimbursement by the employer of costs incurred by its employees in order to enable them to take up their jobs or to carry out their work such as reimbursement of travel, relocation or related expenses made by employees when they take up new jobs or are required by their employers to move their homes to different parts of the country or to another country and reimbursement of costs incurred by employees on tools, equipment, special clothing or other items that are needed exclusively or primarily to enable them to carry out their work (classified to *use of goods and services* (ETF 1233, COFOG-A, SDC)); usage of labour hire agencies (classified to *non-employee expenses not elsewhere classified* (ETF 1239, COFOG-A, SDC)).

Wages and salaries in kind (ETF 1222, COFOG-A, SDC)

A1A.45 *Wages and salaries in kind* (ETF 1222, COFOG-A, SDC) consists of compensation of employees payable in the form of goods, services, interest foregone and shares issued to employees in return for work performed. Almost any kind of goods or services may be provided as wages and salaries in kind. It includes goods and services provided without charge or at reduced prices. The goods and services provided in kind to employees are not necessary to enable the employees to perform their work.

Includes: Meals and drinks provided on a regular basis including any subsidy element of an office canteen; clothing or footwear that employees may choose to wear frequently outside of the workplace and while at work; housing services or accommodation of a type that can be used by all members of the household to which the employee belongs; services of vehicles or other durables provided for the personal use of employees; goods and services produced by the employer such as free travel on government airplanes or trains; sports, recreation or holiday facilities for employees and their families; transportation to and from work; free or subsidised parking when it would otherwise have to be paid for; childcare for the children of employees; the value of the interest foregone by employers when they provide loans to employees at reduced or even zero rates of interest for purposes of buying houses, vehicles, furniture or other goods or services; bonus shares or stock options distributed to employees.

Excludes: Wages and salaries in kind connected with own account capital formation (classified to *own-account capital formation* (ETF 4113, NFAC, COFOG-A), and also classified to *own-account wages and salaries in kind* (ETF 7622, NFAC, COFOG-A)).

Fringe Benefits Tax (FBT) expenses (ETF 1223, COFOG-A, SDC)

A1A.46 *Fringe Benefits Tax (FBT) expenses* (ETF 1223, COFOG-A, SDC) consists of fringe benefits tax payable on certain benefits employers provide to their employees or their employees' associates in place of salary or wages.

Workers' compensation expenses (ETF 1224, COFOG-A, SDC)

A1A.47 *Workers' compensation expenses* (ETF 1224, COFOG-A, SDC) consists of workers' compensation amounts payable by employers under legislation for work-related injury and illness suffered by employees.

Other employee expenses not elsewhere classified (ETF 1229, COFOG-A, SDC)

A1A.48 *Other employee expenses not elsewhere classified* (ETF 1229, COFOG-A, SDC) consists of employee expenses that cannot be classified to superannuation expenses – defined contribution scheme (ETF 1211, COFOG-A, SDC), superannuation expenses - defined benefit scheme (ETF 1212, COFOG-A, SDC), imputed employers' contributions – defined benefit scheme (ETF 1213, COFOG-A, SDC), wages, salaries and supplements in cash (ETF 1221, COFOG-A, SDC), wages and salaries in kind (ETF 1222, COFOG-A, SDC), Fringe Benefits Tax (FBT) expenses (ETF 1223, COFOG-A, SDC) or workers' compensation expenses (ETF 1224, COFOG-A, SDC).

Includes: Accrued expenses for the current period relating to accident compensation premium, sick leave, annual leave, long service leave retirement and redundancy.

Non-employee expenses (ETF 123)

A1A.49 *Non-employee expenses* (ETF 123) consists of operating expenses that are not related to the compensation of employees. This category is further classified into:

- *production tax expenses* (ETF 1231, COFOG-A, TC, SDC);
- *social benefits to households in goods and services* (ETF 1232, COFOG-A, SDC);
- *use of goods and services* (ETF 1233, COFOG-A, SDC); and
- *non-employee expenses not elsewhere classified* (ETF 1239, COFOG-A, SDC).

Production tax expenses (ETF 1231, COFOG-A, TC, SDC)

A1A.50 *Production tax expenses* (ETF 1231, COFOG-A, TC, SDC) consists of taxes on production or indirect tax expenses.

Social benefits to households in goods and services (ETF 1232, COFOG-A, SDC)

A1A.51 *Social benefits to households in goods and services* (ETF 1232, COFOG-A, SDC) consists of expenditure by government on goods and services produced by market producers that are provided directly to households as social transfers in kind.

Includes: Medical and pharmaceutical benefits; telephone rental concessions; concessional railway fares; rental subsidies; reduced utility charges.

Use of goods and services (ETF 1233, COFOG-A, SDC)

A1A.52 *Use of goods and services* (ETF 1233, COFOG-A, SDC) consists of the value of goods and services used for the production of market and non-market goods and services.

Includes: Amounts payable to contractors, self-employed outworkers and other workers who are not employees of general government or public sector units; use of goods and services when such use is mandatory in order to enable employees to carry out their work whether purchased by the employer or purchased by employees who are then subsequently reimbursed by the employer; tools or equipment used exclusively or mainly at work whether purchased by the employer or purchased by employees who are then subsequently reimbursed by the employer; clothing or footwear of a kind that ordinary consumers do not choose to purchase or wear and which are worn exclusively or mainly at work such as protective clothing, overalls or uniforms whether purchased by the employer or purchased by employees who are then subsequently reimbursed by the employer; accommodation services at the place of work of a kind that cannot be used by the households to which the employees belong such as barracks, cabins, dormitories and huts; special meals or drinks necessitated by exceptional working conditions, while travelling for business reasons or meals or drinks provided to employees while on active duty whether purchased by the employer or purchased by employees who are then subsequently reimbursed by the employer; travel, relocation or related expenses when employees take up new jobs or are required by their employers to move their homes to different parts of the country or to another country whether purchased by the employer or purchased by employees who are then subsequently reimbursed by the employer; changing facilities, washrooms, showers and baths necessitated by the nature of the work; first aid facilities, medical examinations or other health checks required because of the nature of the work; goods and services used by a donor government unit to produce non-market goods and services consumed by other governments and international organisations; goods and services acquired so that government employees can conduct relief operations in a foreign country after a natural disaster; all goods and services consumed by a general government unit to produce non-market goods and services that are distributed as social benefits in kind or distributed to households in particular circumstances such as following a natural disaster; memberships dues and subscription fees such as payments by public corporations of membership dues or subscriptions to market non-profit institutions serving businesses such as chambers of commerce or trade associations; costs incurred on inexpensive, durable goods such as small/hand tools (saws, spades, knives, axes, hammers, screwdrivers, spanners, wrenches) when such expenses are incurred regularly and are small compared with the costs incurred for the acquisition of machinery and equipment; goods and services consumed for the ordinary maintenance and repair of fixed assets; goods and services used in research and development where it is clear that the activity does not create any future economic benefit for its owner; materials to produce coins or notes of the national currency or amounts payable to contractors to produce the currency; single-use weapons such as ammunition, missiles, rockets, bombs or torpedoes once used; payments by the lessee for rental of a fixed asset under an operating lease; and explicit fees for financial services.

Excludes: Depreciation (classified to *depreciation of fixed assets (non defence)* (ETF 1241) or *depreciation of fixed assets (defence)* (ETF 1242, NFAC, COFOG-A)); the use of goods and services in own account capital formation (classified to *own-account capital formation* (ETF 4113, NFAC, COFOG-A) and also classified to *own-account use of goods and services* (ETF 7631)); goods purchased by government and distributed without transformation (classified to *social benefits to households in goods and services* (ETF 1232, COFOG-A, SDC), *subsidies on products* (ETF 1252, COFOG-A, SDC), *current grant expenses* (ETF 1251, COFOG-A, SDC), or *current transfer expenses not elsewhere classified* (ETF 1259, COFOG-A, SDC)); goods and services not produced by the donor government unit but are distributed as social benefits in kind or distributed to households in particular circumstances (classified to *social benefits to households in goods and services* (ETF 1232, COFOG-A, SDC)); memberships dues and subscription fees payable to international organisations when there is a possibility, even if unlikely, of repayment of the full amount (classified to *transactions in financial assets (net)* (ETF 3111), *equity including contributed capital* (FALC 124), SDC)); unrequited membership dues and subscription fees payable to international organisations, foreign governments or other general government units (classified to *current grant expenses* (ETF 1251, COFOG-A, SDC) or *current transfers not elsewhere classified* (ETF 1259, COFOG-A, SDC)); goods and services acquired to increase inventories of materials and supplies, work in progress, finished goods and goods for resale (classified to *change in inventories* (ETF 4111, *inventories* (NFAC 21), COFOG-A)); expenditure on new military equipment, including large military weapons systems and armoured vehicles acquired by the police and internal security services (classified to *acquisitions of new non-financial assets* (ETF 4114, NFAC, COFOG-A, SDC), *weapons systems* (NFAC 151), COFOG-A); single-use weapons such as ammunition, missiles, rockets, bombs or torpedoes until used (classified to *change in inventories* (ETF 4111), *military inventories* (NFAC 215), COFOG-A); amounts payable for the use of non-produced naturally occurring assets such as land (classified to *land rent and royalty expenses* (ETF 1283, COFOG-A, SDC)).

Non-employee expenses not elsewhere classified (ETF 1239, COFOG-A, SDC)

A1A.53 *Non-employee expenses not elsewhere classified* (ETF 1239, COFOG-A, SDC) consists of non-employee expenses that cannot be classified to *production tax expenses* (ETF 1231, COFOG-A, TC, SDC), *social benefits to households in goods and services* (ETF 1232, COFOG-A, SDC) or *use of goods and services* (ETF 1233, COFOG-A, SDC).

Depreciation (ETF 124)

A1A.54 *Depreciation* (ETF 124) consists of expenses relating to the accounting process where the costs of assets are written off over their useful life. Depreciation usually relates to non-current tangible assets which are written off because they wear out or become obsolete. This category is further classified into:

- *depreciation of fixed assets (non-defence)* (ETF 1241, NFAC, COFOG-A); and
- *depreciation of fixed assets (defence)* (ETF 1242, NFAC, COFOG-A).

Depreciation of fixed assets (non-defence) (ETF 1241, NFAC, COFOG-A)

A1A.55 *Depreciation of fixed assets (non-defence)* (ETF 1241, NFAC, COFOG-A) consists of amounts charged to current operations in respect of the consumption of non-current tangible produced assets not related to defence weapons systems.

Depreciation of fixed assets (defence) (ETF 1242, NFAC, COFOG-A)

A1A.56 *Depreciation of fixed assets (defence)* (ETF 1242, NFAC, COFOG-A) consists of amounts charged to current operations in respect of the consumption of non-current tangible produced assets related to defence weapons systems.

Current transfer expenses (ETF 125)

A1A.57 *Current transfer expenses* (ETF 125) consists of regular transfer payments that are current in nature and where no economic benefits are received in return for payment. This category is further classified into:

- *current grant expenses* (ETF 1251, COFOG-A, SDC);
- *subsidies on products* (ETF 1252, COFOG-A, SDC);
- other subsidies on production (ETF 1253, COFOG-A, SDC);
- current monetary transfers to households (ETF 1254, COFOG-A, SDC);
- *tax expenses* (ETF 1255, COFOG-A, TC, SDC);
- premiums, fees and current claims related to non-life insurance and standardised guarantee schemes (ETF 1256, COFOG-A, SDC); and
- current transfer expenses not elsewhere classified (ETF 1259, COFOG-A, SDC).

Current grant expenses (ETF 1251, COFOG-A, SDC)

A1A.58 *Current grant expenses* (ETF 1251, COFOG-A, SDC) consists of current transfers payable by government units to other resident or non-resident government units, international organisations, public enterprises, non-profit institutions serving business and others that do not meet the definition of a tax, subsidy or social contribution. Grants are normally payable in cash, but may also take the form of provision of goods or services in kind.

Includes: Grants in kind of goods and services that are consumed such as food contributions, blankets, medical and rescue services and supplies; grants for current purposes to private non-profit organisations serving households including grants to hospitals, independent schools, religious and charitable organisations; grants made to foreign governments and international organisations including grants made for aid projects; current grants from one level of government to another; current grants between units within the same level of government; any grants which are not specifically defined as capital grants, current grants to public enterprises and non-profit institutions serving business.

Subsidies on products (ETF 1252, COFOG-A, SDC)

A1A.59 *Subsidies on products* (ETF 1252, COFOG-A, SDC) consists of current unrequited transfers that government units make to enterprises on the basis of the level of their production activities or the quantities or values of the goods or services they produce, sell, export or import. A subsidy on a product usually becomes payable when the good or service is produced, sold, exported or imported, but it may also be payable in other circumstances such as when a good is transferred, leased, delivered or used for own consumption or own-account capital formation. Subsidies are payable to producers only, not to final consumers.

Includes: Direct foreign trade subsidies such as subsidies on imported or exported goods and services that become payable when the goods cross the frontier of the economic territory or when the services are delivered to resident institutional units (import subsidies) or to non-resident units (export subsidies); implicit subsidies resulting from the operation of an official system of multiple exchange rates or resulting from payable tax credits; losses of government trading organisations whose function is to buy products and then sell them at lower prices to residents or non-residents, when they are incurred as a matter of deliberate government economic or social policy; subsidies payable to resident producers in respect of their production that is used or consumed within the economic territory; regular transfers paid to corporations and quasi-corporations that are intended to compensate for recurrent losses incurred on their productive activities as a result of charging prices that are lower than their average costs of production as a matter of deliberate government economic and social policy; and subsidies resulting from the central bank accepting interest rates lower than prevailing market rates.

Other subsidies on production (ETF 1253, COFOG-A, SDC)

A1A.60 *Other subsidies on production* (ETF 1253, COFOG-A, SDC) consists of current unrequited transfers that government units make to enterprises as a consequence of engaging in production but that are not related to specific products.

Includes: Subsidies on payroll or workforce which are payable on the total wage or salary bill, the size of the total workforce or the employment of particular types of persons such as physically handicapped persons or persons who have been unemployed for long periods; subsidies to reduce pollution which are transfers intended to cover some or all of the costs of additional processing undertaken to reduce or eliminate the discharge of pollutants into the environment.

Excludes: Payment of interest or other debt service cost on behalf of other producer units without acquiring an effective claim on the original debtor (classified to *capital grant expenses* (ETF 1261, COFOG-A, SDC) or *capital transfer expenses not elsewhere classified* (ETF 1269, COFOG-A, SDC)); transfers made by government to other resident or non-resident units to finance all or part of the costs of their acquiring non-financial assets (classified to *capital grant expenses* (ETF 1261, COFOG-A, SDC) or *capital transfer expenses not elsewhere classified* (ETF 1269, COFOG-A, SDC)); extraordinary payments into social insurance funds insofar as these payments are designed to increase the actuarial reserves of these funds (classified to *capital grant expenses* (ETF 1261, COFOG-A, SDC) or *capital transfer expenses not elsewhere classified* (ETF 1269, COFOG-A, SDC)); transfers made by general government units to corporations and quasi-corporations to cover large operating deficits accumulated over two or more years or exceptional losses due to factors outside the control of the enterprise (classified to *capital transfer expenses not elsewhere classified* (ETF 1269, COFOG-A, SDC)); the cancellation of debts which institutional units have incurred to government units, such as debt resulting from loans advanced by a government unit to a non-financial enterprise that does not have the ability to make repayments due to trading losses accumulated over several financial years (classified to *capital grant expenses* (ETF 1261, COFOG-A, SDC) or *capital transfer expenses not elsewhere classified* (ETF 1269, COFOG-A, SDC)); payments made by general government for damage to, or losses of, capital goods as a result of acts of war, other political events or national disasters (classified to *capital grant expenses* (ETF 1261, COFOG-A, SDC) or *capital transfer expenses not elsewhere classified* (ETF 1269, COFOG-A, SDC)); transfers to households but intended to supplement household income or defray household expense (classified to *current monetary transfers to households* (ETF 1254, COFOG-A, SDC)); transfers made by a general government unit that has assumed responsibility for pension claims on public enterprises (classified to *capital transfer expenses not elsewhere classified* (ETF 1269, COFOG-A, SDC)); payments made by general government to market producers to pay entirely, or in part, for goods and services that those market producers provide directly and individually to households in the context of social risks or needs and to which the households have a right (classified to *current monetary transfers to households* (ETF 1254, COFOG-A, SDC)).

Current monetary transfers to households (ETF 1254, COFOG-A, SDC)

A1A.61 *Current monetary transfers to households* (ETF 1254, COFOG-A, SDC) consists of current transfers receivable by households intended to provide for the needs that arise from social risks such as sickness, unemployment, retirement, housing, education or family circumstances. These benefits are payable in cash or in kind to protect the entire population or specific segments of it against certain social risks.

Includes: Provision of medical services, old age pensions; unemployment compensation; work for the dole schemes; personal benefit payments to Australian citizens resident overseas; payable tax credits paid to households intended to provide for the needs that arise from certain events or circumstances.

Excludes: transfers made in response to events or circumstances such as natural disasters (classified to *current transfer expenses not elsewhere classified* (ETF 1259, COFOG-A, SDC)).

Tax expenses (ETF 1255, COFOG-A, TC, SDC)

A1A.62 *Tax expenses* (ETF 1255, COFOG-A, TC, SDC) consists of direct tax expenses of public enterprises.

Includes: All tax expenses of general government units such as state / territory government payroll taxes and Commonwealth Government fringe benefits tax.

Excludes: Indirect tax expenses (taxes on production) of public enterprises (classified to *production tax expenses* (ETF 1231, COFOG-A, TC, SDC).

Premiums, fees and current claims related to non-life insurance and standardised guarantee schemes (ETF 1256, COFOG-A, SDC)

A1A.63 *Premiums, fees and current claims related to non-life insurance and standardised guarantee schemes* (ETF 1256, COFOG-A, SDC) consists of non-life insurance premiums and fees payable to secure entitlement to insurance against risk; non-exceptional claims payable by insurance schemes to beneficiaries; and fees payable to obtain standardised guarantees.

Excludes: Exceptionally large insurance settlements payable in the wake of a catastrophic event or disaster (classified to *capital claims related to non-life insurance and standardised guarantee schemes* (ETF 1263, COFOG-A, SDC).

Current transfer expenses not elsewhere classified (ETF 1259, COFOG-A, SDC)

A1A.64 *Current transfer expenses not elsewhere classified* (ETF 1259, COFOG-A, SDC) consists of current transfer expenses that cannot be classified to *current grant expenses* (ETF 1251, COFOG-A, SDC), *subsidies on products* (ETF 1252, COFOG-A, SDC),*other subsidies on production* (ETF 1253, COFOG-A, SDC), *current monetary transfers to households* (ETF 1254, COFOG-A, SDC), *tax expenses* (ETF 1255, COFOG-A, TC, SDC) or *premiums, fees and current claims related to non-life insurance and standardised guarantee schemes* (ETF 1256, COFOG-A, SDC).

Includes: Current transfers to non-profit institutions in the form of membership dues, subscription and voluntary donations whether made on a regular or occasional basis; transfers in kind such as food, clothing, blankets and medicines to charities for distribution to households; current taxes, compulsory fees and fines imposed by one unit of general government or public corporation on another government unit or public corporation; net non-payable tax credits; fines and penalties imposed by courts of law or quasi-judicial bodies; payments of compensation for injury to persons or damage to property caused by general government or public sector units excluding payments of non-life insurance claims; purchase of goods and services from market producers that are distributed directly to households for final consumption other than social benefits; levies paid to fire boards and town planning authorities; levies paid to county councils by constituent municipal and shire councils.

Capital transfer expenses (ETF 126)

A1A.65 *Capital transfer expenses* (ETF 126) consists of unrequited payments of a capital nature, that are usually non-recurrent and irregular for donor or recipient. This category is further classified into:

- *capital grant expenses* (ETF 1261, COFOG-A, SDC);
- *assets donated* (ETF 1262, NFAC, COFOG-A);
- *capital claims related to non-life insurance and standardised guarantee* schemes (ETF 1263, COFOG-A, SDC); and
- *capital transfer expenses not elsewhere classified* (ETF 1269, COFOG-A, SDC).

Capital grant expenses (ETF 1261, COFOG-A, SDC)

A1A.66 *Capital grant expenses* (ETF 1261, COFOG-A, SDC) consists of capital transfers payable by government units to other resident or non-resident government units or international organisations that do not meet the definition of a tax, subsidy or social contribution. Grants are normally payable in cash, but may also take the form of provision of goods or services in kind.

Includes: Unrequited payments by government to finance the acquisition of non-financial assets by the recipient, to compensate the recipient for damage or destruction of non-financial assets or to increase the financial capital of the recipient; grants to private enterprises, individuals and private non-profit institutions to contribute towards the cost of capital expenditure; compensation to primary industry marketing authorities for losses on overseas debts resulting from devaluations; home savings grants; grants towards science laboratories and libraries in private schools and university residential colleges; grants made by public authorities to other public authorities to contribute towards the cost of capital development; grants between different levels of government; grants within one level of government.

Assets donated (ETF 1262, NFAC, COFOG-A, SDC)

A1A.67 *Assets donated* (ETF 1262, NFAC, COFOG-A, SDC) consists of donated assets which are included in GFS by imputation of equivalent transactions when they are of an economic nature and where valuations are realistically obtainable.

Capital claims related to non-life insurance and standardised guarantee schemes (ETF 1263, COFOG-A, SDC)

A1A.68 *Capital claims related to non-life insurance and standardised guarantee schemes* (ETF 1263, COFOG-A, SDC) consists of exceptionally large insurance settlements payable in the wake of a catastrophic event or disaster.

Excludes: Current claims payable related to non-life insurance schemes (classified to *premiums, fees and claims payable related to non-life insurance and standardised guarantee schemes* (ETF 1256, COFOG-A, SDC)).

Capital transfer expenses not elsewhere classified (ETF 1269, COFOG-A, SDC)

A1A.69 *Capital transfer expenses not elsewhere classified* (ETF 1269, COFOG-A, SDC) consists of capital transfer expenses that cannot be classified to *capital grant expenses* (ETF 1261, COFOG-A, SDC), *assets donated* (ETF 1262, NFAC, COFOG-A) or *capital claims related to non-life insurance and standardised guarantee schemes* (ETF 1263, COFOG-A, SDC).

Includes: Capital taxes imposed by one unit of general government on another government unit or public corporations; major non-recurrent exceptional payments in compensation for extensive damages or serious injuries such as those arising from catastrophes not covered by insurance policies; capital transfers to corporations, quasi-corporations, non-profit institutions serving households, households and non-residents in cash or in kind to cancel or assume a debt by mutual agreement with the debtor without acquiring an effective financial claim on the original debtor; transfers payable to corporations and quasi-corporations to cover large operating deficits accumulated over two or more years; payment of interest or other debt service costs on behalf of other producer units without acquiring an effective claim on the original debtor; amounts payable in excess of the value of liabilities for the provision of pension entitlements assumed by other units; bad debts written off by mutual agreement between debtor and creditor.

Interest expenses (ETF 127)

A1A.70 *Interest expenses* (ETF 127) consists of investment income that is receivable by the owners of certain kinds of financial assets such as Special Drawing Rights (SDRs), deposits, debt securities, loans and other accounts receivable, for putting these financial and other resources at the disposal of another institutional unit. This category is further classified into:

- *interest on defined benefit superannuation* (ETF 1271, COFOG-A, SDC); and
- *interest expense not elsewhere classified* (ETF 1279, COFOG-A, SDC).

Interest on defined benefit superannuation (ETF 1271, COFOG-A, SDC)

A1A.71 *Interest on defined benefit superannuation* (ETF 1271, COFOG-A, SDC) consists of the interest accrued on defined benefit superannuation liabilities during the reporting period.

Interest expense not elsewhere classified (ETF 1279, COFOG-A, SDC)

A1A.72 *Interest expense not elsewhere classified* (ETF 1279, COFOG-A, SDC) consists of requited transfer payments made to the owners of certain kinds of financial assets, such as SDRs, deposits, debt securities, loans and accounts receivable, in return for putting the financial assets at the disposal of the reporting institutional unit. The liabilities giving rise to interest expense are all claims of creditors upon debtors.

Includes: Interest payable on overdue taxes where it is possible to separate payments of interest from the taxes to which they relate; interest on advances, overdrafts, bonds and bills; interest component of finance leases; accrued or accumulated interest that is added to a loan principal instead of being expensed in the current period

Excludes: Interest on defined benefit superannuation (classified to *interest on defined benefit superannuation* (ETF 1271, COFOG-A, SDC)); net settlement payments under a swap or forward rate agreement contract (classified to *transactions in financial assets (net)* (ETF 3111, *financial derivatives* (FALC 122) or (FALC 222), SDC; interest payable on overdue taxes where it is not possible to separate payments of interest from the taxes to which they relate (classified to the relevant category under *taxation revenue* (ETF 111).

Other property expenses (ETF 128)

A1A.73 *Other property expenses* (ETF 128) consists of the expenses payable, other than interest, to the owners of financial assets or natural resources when they put them at the disposal of another unit. This category is further classified into:

- *income transferred by public corporations as dividends* (ETF 1281, COFOG-A, SDC);
- *withdrawal from income of quasi-corporations* (ETF 1282, COFOG-A, SDC);
- *land rent and royalty expenses* (ETF 1283, COFOG-A, SDC);
- *dividends to shareholders* (ETF 1284, COFOG-A, SDC);
- *reinvested earnings on foreign direct investment* (ETF 1285, COFOG-A, SDC);
- *property expense for investment income disbursements* (ETF 1286, COFOG-A, SDC); and
- *other property expenses not elsewhere classified* (ETF 1289, COFOG-A, SDC).

Income transferred by public corporations as dividends (ETF 1281, COFOG-A, SDC)

A1A.74 *Income transferred by public corporations as dividends* (ETF 1281, COFOG-A, SDC) consists of the distributed earnings allocated to government or public sector units, as the owners of equity, for placing funds at the disposal of corporations. It includes all distributions of profits by public corporations to their shareholders or owners, except for distributions by fiscal, export or import monopolies.

Includes: Income transferred by public corporations as income tax equivalents; income transferred by public corporations as wholesale sales tax equivalents.

Excludes: Dividends paid to private sector shareholders (classified to *dividends to shareholders* (ETF 1284, COFOG-A, SDC)).

Withdrawal from income of quasi-corporations (ETF 1282, COFOG-A, SDC)

A1A.75 *Withdrawal from income of quasi-corporations* (ETF 1282, COFOG-A, SDC) consists of that part of distributable income that the owner withdraws from the quasi-corporation.

Excludes: Withdrawals of funds realised by the sale or other disposal of the quasi-corporation's assets such as inventories, fixed assets, land or other non-produced assets (classified to *transactions in financial assets (net)* (ETF 3111), *equity including contributed capital* (FALC 124), SDC); funds withdrawn by liquidating large amounts of accumulated retained earnings or other reserves of the quasi-corporation (classified to *transactions in financial assets (net)* (ETF 3111), *equity including contributed capital* (FALC 124), SDC).

Land rent and royalty expenses (ETF 1283, COFOG-A, SDC)

A1A.76 *Land rent and royalty expenses* (ETF 1283, COFOG-A, SDC) consists of the expense payable to the owners of a natural resource (the lessor or landlord) for putting the natural resource at the disposal of another institutional unit (a lessee or tenant) for use of the natural resource in production.

Includes: Resource leases on land, subsoil resources and on other natural resources.

Dividends to shareholders (ETF 1284, COFOG-A, SDC)

A1A.77 *Dividends to shareholders* (ETF 1284, COFOG-A, SDC) consists of that part of the income of public sector units which is transferred to private sector shareholders as dividends.

Excludes: Dividends paid to parent governments or parent public sector units (classified to *income transferred by public corporations as dividends* (ETF 1281, COFOG-A, SDC)).

Reinvested earnings on foreign direct investment (ETF 1285, COFOG-A, SDC)

A1A.78 *Reinvested earnings on foreign direct investment* (ETF 1285, COFOG-A, SDC) consists of the direct investor's share of the retained earnings of the direct investment enterprise. It is a requirement that the retained earnings of a foreign direct investment enterprise be recorded as if they were distributed and remitted to foreign direct investors in proportion to their ownership of the equity in the enterprise and then reinvested by them by means of additions to equity.

Property expense for investment income disbursements (ETF 1286, COFOG-A, SDC)

A1A.79 *Property expense for investment income disbursements* (ETF 1286, COFOG-A, SDC) consists of property income attributed to insurance policy holders, superannuation entitlements and holders of investment fund shares.

Other property expenses not elsewhere classified (ETF 1289, COFOG-A, SDC)

A1A.80 *Other property expenses not elsewhere classified* (ETF 1289, COFOG-A, SDC) consists of other property expenses that cannot be classified to income transferred by public corporations as dividends (ETF 1281, COFOG-A, SDC), withdrawal from income of quasi-corporations (ETF 1282, COFOG-A, SDC), land rent and royalty expenses (ETF 1283, COFOG-A, SDC), dividends to shareholders (ETF 1284, COFOG-A, SDC), reinvested earnings on foreign direct investment (ETF 1285, COFOG-A, SDC) or property expense for investment income disbursements (ETF 1286, COFOG-A, SDC).

The statement of sources and uses of cash (ETF 2)

A1A.81 The *statement of sources and uses of cash* (ETF 2) (formerly known as the *cash flow statement* in Australian GFS) is the part of the ETF which records the total amount of cash generated through the operating activities of the government during the current period, and includes transactions in non-financial assets settled in cash and transactions involving financial assets and liabilities settled in cash. The full classification of the statement of sources and uses of cash is shown in Table A1A.7 below:

Table A1A.7 - The statement of sources and uses of cash (ETF 2)

Descriptor	Classification codes
STATEMENT OF SOURCES AND USES OF CASH	**ETF 2**
Cash flows from operating activities	**ETF 21**
Cash receipts from operating activities	**ETF 211**
Taxes received	ETF 2111 SDC
Cash received from sales of goods and services	ETF 2112 SDC
Grants and subsidies received	ETF 2113 SDC

Income transferred from public corporations	ETF 2114 SDC
Interest received	ETF 2115 SDC
Cash receipts from operating activities not elsewhere classified	ETF 2119 SDC
Cash payments for employee expenses	**ETF 212**
Cash paid for employee superannuation - defined contribution schemes	ETF 2121 SDC
Cash paid for employee superannuation - defined benefit schemes	ETF 2122 SDC
Salary sacrifice expenses - superannuation	ETF 2123 SDC
Salary sacrifice expenses - items other than superannuation	ETF 2124 SDC
Cash payments for employee expenses not elsewhere classified	ETF 2129 SDC
Cash payments for non-employee expenses	**ETF 213**
Cash paid for the purchase of other goods and services	ETF 2131 SDC
Subsidies paid	ETF 2132 SDC
Grants paid	ETF 2133 SDC
Other transfer payments	ETF 2134 SDC
Interest paid	ETF 2135 SDC
Distributions paid	ETF 2136 SDC
Cash payments for non-employee expenses not elsewhere classified	ETF 2139 SDC
Cash flows from transactions in non-financial assets	**ETF 22**
Expenditure on non-financial assets (net)	**ETF 221**
Purchases of new non-financial assets	ETF 2211 SDC
Purchases of second hand non-financial assets	ETF 2212 SDC
Sales of non-financial produced assets	ETF 2213 SDC
Cash flows from transactions in financial assets for policy purposes	**ETF 23**
Advances paid (net)	**ETF 231**
Advances paid - concessional loans	ETF 2311 SDC
Advances paid other than concessional loans	ETF 2312 SDC
Repayments of advances paid for policy purposes	ETF 2313 SDC
Equity acquisitions, disposals and privatisations (net)	**ETF 232**
Equity acquisitions	ETF 2321 SDC
Equity disposals and sale of equity	ETF 2322 SDC
Cash flows from investments in financial assets for liquidity management purposes	**ETF 24**

Increase in investments	**ETF 241**
Increase in investments	ETF 2411 SDC
Cash flows from financing activities (domestic / external)	**ETF 25**
Advances received (net)	**ETF 251**
Advances received - concessional loans	ETF 2511 SDC
Advances received other than concessional loans	ETF 2512 SDC
Advances repaid	ETF 2513 SDC
Borrowing (net)	**ETF 252**
Borrowing (net)	ETF 2521 SDC
Deposits received (net)	**ETF 253**
Increase in deposits received	ETF 2531 SDC
Other financing (net)	**ETF 259**
Other financing not elsewhere classified (net)	ETF 2599 SDC
Increase / decrease in cash held	**ETF 26**
Increase / decrease in cash held	**ETF 261**
Increase / decrease in cash held	ETF 2611 SDC

Cash flows from operating activities (ETF 21)

A1A.82 *Cash flows from operating activities* (ETF 21) consists of cash flows from the operating activities or normal business of public sector units. This category is further classified into:

- *cash receipts from operating activities* (ETF 211);
- *cash payments for employee expenses* (ETF 212); and
- *cash payments for non-employee expenses* (ETF 213).

Cash receipts from operating activities (ETF 211)

A1A.83 *Cash receipts from operating activities* (ETF 211) consists of cash inflows from operating activities during the current period. This category is further classified into:

- *taxes received* (ETF 2111, SDC);
- *cash received from sales of goods and services* (ETF 2112, SDC);
- *grants and subsidies received* (ETF 2113, SDC);
- *income transferred from public corporations* (ETF 2114, SDC);
- *interest received* (ETF 2115, SDC); and
- *cash receipts from operating activities not elsewhere classified* (ETF 2119, SDC).

Taxes received (ETF 2111, SDC)

A1A.84 *Taxes received* (ETF 2111, SDC) consists of cash received from compulsory levies imposed by government on other entities.

Cash received from sales of goods and services (ETF 2112, SDC)

A1A.85 *Cash received from sales of goods and services* (ETF 2112, SDC) consists of cash received from the direct provision of goods and services by general government and public enterprises.

Grants and subsidies received (ETF 2113, SDC)

A1A.86 *Grants and subsidies received* (ETF 2113, SDC) consists of cash received from voluntary transfers by government and other entities.

Income transferred from public corporations (ETF 2114, SDC)

A1A.87 *Income transferred from public corporations* (ETF 2114, SDC) consists of cash received from public corporations in the form of dividends or tax equivalent payments.

Interest received (ETF 2115, SDC)

A1A.88 *Interest received* (ETF 2115, SDC) consists of cash received by owners of financial assets in the form of interest.

Cash receipts from operating activities not elsewhere classified (ETF 2119, SDC)

A1A.89 *Cash receipts from operating activities not elsewhere classified* (ETF 2119, SDC) consists of other cash receipts from operating activities that cannot be classified to *taxes received* (ETF 2111, SDC), *cash received from sales of goods and services* (ETF 2112, SDC), *grants and subsidies received* (ETF 2113, SDC), *income transferred from public corporations* (ETF 2114, SDC) or *interest received* (ETF 2115, SDC).

Cash payments for employee expenses (ETF 212)

A1A.90 *Cash payments for employee expenses* (ETF 212) consists of cash outflows for employee expenses from operating activities during the current period. This category is further classified into:

- *cash paid for employee superannuation – defined contribution scheme* (ETF 2121, SDC);
- *cash paid for employee superannuation – defined benefit scheme* (ETF 2122, SDC);
- *salary sacrifice expenses – superannuation* (ETF 2123, SDC);
- *salary sacrifice expenses – items other than superannuation* (ETF 2124, SDC); and
- *cash payments for employee expenses not elsewhere classified* (ETF 2129, SDC).

Cash paid for employee superannuation – defined contribution scheme (ETF 2121, SDC)

A1A.91 *Cash paid for employee superannuation – defined contribution scheme* (ETF 2121, SDC) consists of cash paid by government entities to defined contribution superannuation schemes in respect of employee superannuation.

Cash paid for employee superannuation – defined benefit scheme (ETF 2122, SDC)

A1A.92 *Cash paid for employee superannuation – defined benefit scheme* (ETF 2122, SDC) consists of cash paid by government entities to defined benefit superannuation schemes in respect of employee superannuation.

Salary sacrifice expenses – superannuation (ETF 2123, SDC)

A1A.93 *Salary sacrifice expenses – superannuation* (ETF 2123, SDC) consists of cash paid by government entities to provide salary sacrificing arrangements for superannuation contributions to employees.

Salary sacrifice expenses – items other than superannuation (ETF 2124, SDC)

A1A.94 *Salary sacrifice expenses – items other than superannuation* (ETF 2124, SDC) consists of cash paid by government entities to provide salary sacrificing arrangements other than superannuation contributions to employees.

Cash payments for employee expenses not elsewhere classified (ETF 2129, SDC)

A1A.95 Cash payments for employee expenses not elsewhere classified (ETF 2129, SDC) consists of cash payments for employee expenses that cannot be classified to cash paid for employee superannuation – defined contribution scheme (ETF 2121, SDC), cash paid for employee superannuation – defined benefit scheme (ETF 2122, SDC), salary sacrifice expenses – superannuation (ETF 2123, SDC) or salary sacrifice expenses – items other than superannuation (ETF 2124, SDC)..

Cash payments for non-employee expenses (ETF 213)

A1A.96 *Cash payments for non-employee expenses* (ETF 213) consists of cash outflows for non-employee expenses from operating activities during the current period. This category is further classified into:

- cash paid for the purchase of other goods and services (ETF 2131, SDC);
- *subsidies paid* (ETF 2132, SDC);
- *grants paid* (ETF 2133, SDC);
- other transfer payments (ETF 2134, SDC);
- *interest paid* (ETF 2135, SDC);
- *distributions paid* (ETF 2136, SDC); and
- cash payments for non-employee expenses not elsewhere classified (ETF 2139, SDC).

Cash paid for the purchase of other goods and services (ETF 2131, SDC)

A1A.97 *Cash paid for the purchase of other goods and services* (ETF 2131, SDC) consists of cash paid by public sector units for the purchase of other goods and services.

Subsidies paid (ETF 2132, SDC)

A1A.98 *Subsidies paid* (ETF 2132, SDC) consists of voluntary cash transfers by public sector units in the form of subsidies.

Grants paid (ETF 2133, SDC)

A1A.99 *Grants paid* (ETF 2133, SDC) consists of voluntary cash transfers by public sector units in the form of grants.

<u>Includes</u>: Current and capital grants paid in cash.

Other transfer payments (ETF 2134, SDC)

A1A.100 *Other transfer payments* (ETF 2134, SDC) consists of cash transfers by public sector other than those in the form of subsidies or grants paid.

<u>Includes</u>: Other current and capital transfers paid in cash.

Interest paid (ETF 2135, SDC)

A1A.101 *Interest paid* (ETF 2135, SDC) consists of cash transfers by public sector units in the form of interest.

<u>Includes</u>: Interest paid in cash on advances, loans, overdrafts, bonds and bills and deposits.

Distributions paid (ETF 2136, SDC)

A1A.102 *Distributions paid* (ETF 2136, SDC) consists of cash transfers by public enterprises to their parent entities and other shareholders in the form of dividends, transfer of profits or other similar distributions.

Cash payments for non-employee expenses not elsewhere classified (ETF 2139, SDC)

A1A.103 *Cash payments for non-employee expenses not elsewhere classified* (ETF 2139, SDC) consists of cash payments for non-employee expenses that cannot be classified to cash paid for the purchase of other goods and services (ETF 2131, SDC), subsidies paid (ETF 2132, SDC), grants paid (ETF 2133, SDC), other transfer payments (ETF 2134, SDC), interest paid (ETF 2135, SDC) or distributions paid (ETF 2136, SDC).

Cash flows from transactions in non-financial assets (ETF 22)

A1A.104 *Cash flows from transactions in non-financial assets* (ETF 22) consists of net expenditure on non-financial assets by public sector units. This category is further classified into:

- *expenditure on non-financial assets (net)* (ETF 221).

Expenditure on non-financial assets (net) (ETF 221)

A1A.105 *Expenditure on non-financial assets (net)* (ETF 221) consists of net expenditure on new and second-hand non-financial assets. This category is further classified into:

- *purchases of new non-financial assets* (ETF 2211, SDC);
- *purchases of second-hand non-financial assets* (ETF 2212, SDC); and
- *sales of non-financial assets* (ETF 2213, SDC).

Includes: Net expenditure on mineral deposits, timber tracts and similar non-reproducible tangible assets; net expenditure on intangible assets such as patents and copyrights.

Purchases of new non-financial assets (ETF 2211, SDC)

A1A.106 *Purchases of new non-financial assets* (ETF 2211, SDC) consists of purchases of new fixed assets, that is, tangible assets intended to be used in the production process for longer than one year.

Includes: Fixed assets constructed on own account and valued at cost of materials and capitalised salaries and wages; reimbursements received by public authorities for amounts spent on capital works while acting as an agent for other government and private bodies; purchase of vacant land; purchase of land with improvements; outright purchases of intangible assets such as patents and copyrights; second-hand assets imported into the country for the first time.

Excludes: Houses built for sale (classified to *change in inventories* (ETF 4111, NFAC, COFOG-A)); assets acquired under finance lease arrangements (classified to *acquisitions of non-financial assets under new finance leases* (ETF 4112, NFAC, COFOG-A, SDC)).

Purchases of second-hand non-financial assets (ETF 2212, SDC)

A1A.107 *Purchases of second-hand non-financial assets* (ETF 2212, SDC) consists of purchases of second-hand fixed assets, that is, tangible assets which have been previously used in production in the country.

Excludes: Second-hand non-financial assets imported into the country for the first time (classified to *purchases of new non-financial assets* (ETF 2211, SDC)); second-hand assets acquired under finance lease arrangements (classified to *acquisitions of non-financial assets under new finance leases* (ETF 4112, NFAC, COFOG-A, SDC)).

Sales of non-financial produced assets (ETF 2213, SDC)

A1A.108 *Sales of non-financial produced assets* (ETF 2213, SDC) consists of sales of fixed assets.

Includes: Sales of previously rented dwellings, non-residential buildings and used plant and equipment; sales of land including the sale of residential leases in the ACT; sales of land and buildings as a package where a separate value cannot be determined for the land component; outright sales of intangible assets such as patents and copyrights.

Cash flows from transactions in financial assets for policy purposes (ETF 23)

A1A.109 *Cash flows from transactions in financial assets for policy purposes* (ETF 23) consists of cash flows from transactions in financial assets for policy purposes by government entities. This category is further classified into:

- *advances paid (net)* (ETF 231); and
- *equity acquisitions, disposals and sale of equity (net)* (ETF 232).

Advances paid (net) (ETF 231)

A1A.110 *Advances paid (net)* (ETF 231) consists of advances (net of repayments) paid to other public authorities. Advances are the creation of financial assets with the aim of funding particular enterprise, household or government activities. They are distinguished from other financial assets such as investments in that they are motivated by public policy purposes while investments are motivated by liquidity management purposes and the need to earn a return. This category is further classified into:

- *advances paid - concessional loans* (ETF 2311, SDC);
- *advances paid other than concessional loans* (ETF 2312, SDC); and
- *repayments of advances* (ETF 2313, SDC).

Advances paid - concessional loans (ETF 2311, SDC)

A1A.111 *Advances paid - concessional loans* (ETF 2311, SDC), consists of advances paid in the form of loans with below market interest rates.

Advances paid other than concessional loans (ETF 2312, SDC)

A1A.112 *Advances paid other than concessional loans* (ETF 2312, SDC) consists of advances paid in the form of loans other than concessional loans.

Includes: Advances from one level of government to another, between government units at the same level of government, and other entities; advances to purchasers of assets sold to private enterprises; advances for the purchase of homes; advances for war service land settlement; advances to purchases of assets sold to persons and non-profit institutions; advances by public authorities to foreign governments and organisations; subscriptions to international agencies such as the International Bank for Reconstruction and Development and the International Development Association; capital contributions and provision of funds to public financial corporations for re-lending to specific categories of new borrowers.

Repayments of advances (ETF 2313, SDC)

A1A.113 *Repayments of advances* (ETF 2313, SDC) consists of repayments of advances made by public authorities to private enterprises, persons, non-profit institutions, foreign governments and organisations and other public authorities for policy purposes.

Excludes: Amounts on-passed by public enterprises to their parent governments from the liquidation of assets, capital restructuring, etc., (classified to *transactions in financial assets (net)* (ETF 3111), *equity including contributed capital* (FALC 124), SDC); proceeds received by government from sales to the private sector of some or all equity in public enterprises (classified to *equity disposals and sale of equity* (ETF 2322, SDC)).

Equity, acquisitions, disposals and sale of equity (net) (ETF 232)

A1A.114 *Equity, acquisitions, disposals and sale of equity (net)* (ETF 232) consists of the acquisition and disposal by government of shares and other equity in public and private enterprises. This category is further classified into:

- *equity acquisitions* (ETF 2321, SDC); and
- *equity disposals and sale of equity* (ETF 2322, SDC).

Equity acquisitions (ETF 2321, SDC)

A1A.115 *Equity acquisitions* (ETF 2321, SDC) consists of shares and other equity in public and private enterprises acquired during the current reporting period.

Equity disposals and sale of equity (ETF 2322, SDC)

A1A.116 *Equity disposals and sale of equity* (ETF 2322, SDC) consists of proceeds received from disposals of some or all equity in public and private enterprises.

Includes: Proceeds received by general government from sales of public enterprises; proceeds received by public enterprises from sales of subsidiary public enterprises.

Cash flows from investments in financial assets for liquidity management purposes (ETF 24)

A1A.117 *Cash flows from investments in financial assets for liquidity management purposes* (ETF 24) consists of cash flows from investment in financial assets for liquidity management purposes by public sector units.

Increase in investments (ETF 241)

A1A.118 *Increase in investments* (ETF 241) consists of the creation of financial assets through lending money for the purpose of earning a return and managing liquidity. This category is further classified into:

- *increase in investments* (ETF 2411, SDC).

Increase in investments (ETF 2411, SDC)

A1A.119 *Increase in investments* (ETF 2411, SDC) consists of the creation of financial assets through lending money for the purpose of earning a return and managing liquidity. Investments included in this category are generally long-term assets.

Excludes: Increase in short-term assets (classified to *increase / (decrease) in cash held* (ETF 2611, SDC)).

Cash flows from financing activities (ETF 25)

A1A.120 *Cash flows from financing activities* (ETF 25) consists of cash flows from the financing activities of public sector units. This category is further classified into:

- *advances received (net)* (ETF 251);
- *borrowing (net)* (ETF 252);
- *deposits received* (ETF 253); and
- *other financing (net)* (ETF 259).

Advances received (net) (ETF 251)

A1A.121 *Advances received (net)* (ETF 251) consists of advances (net of repayments) received from other public authorities. Advances are the creation of financial assets with the aim of funding particular enterprise, household or government activities. They are distinguished from other financial assets such as investments in that they are motivated by public policy purposes while investments are motivated by liquidity management purposes and the need to earn a return. This category is further classified into:

- *advances received - concessional loans* (ETF 2511, SDC);
- *advances received other than concessional loans* (ETF 2512, SDC); and
- *advances repaid* (ETF 2513, SDC).

Advances received - concessional loans (ETF 2511, SDC)

A1A.122 *Advances received - concessional loans* (ETF 2511, SDC) consists of advances received in the form of loans at below market interest rates.

Advances received other than concessional loans (ETF 2512, SDC)

A1A.123 *Advances received other than concessional loans* (ETF 2512, SDC) consists of advances received in the form of loans other than concessional loans.

Advances repaid (ETF 2513, SDC)

A1A.124 *Advances repaid* (ETF 2513, SDC) consists of the repayment of advances from other public authorities.

Borrowing (net) (ETF 252)

A1A.125 Borrowing (net) (ETF 252) consists of the net borrowing by public authorities from public and private bodies and individuals within Australia and from abroad. This item is further classified into:

- *borrowing (net)* (ETF 2521, SDC).

Borrowing (net) (ETF 2521, SDC)

A1A.126 *Borrowing (net)* (ETF 2521, SDC) consists of net borrowing by public authorities from public and private bodies and individuals within Australia and from abroad. Net borrowing is equal to gross borrowing less the repayment of past borrowing. Gross borrowing is the creation of liabilities through the sale of bonds and bills in the capital market or by raising loans through direct agreements with lenders.

Includes: Net borrowing from the International Bank for Reconstruction and Development; net borrowing under credit arrangements with foreign government and authorities; the issue of stocks and bonds abroad less redemptions; repayments of the principal component of finance leases.

Excludes: An increase in liability or borrowing related to the initial entry into a finance lease or similar arrangement (classified to *transactions in liabilities* (ETF 3211), *finance leases* (FALC 231), SDC); cash repayments of interest associated with a finance lease or similar arrangement (classified to *interest paid* (ETF 2135, SDC)); interest repayments associated with a finance lease or similar arrangement (classified to *interest expense not elsewhere classified* (ETF 1279, COFOG-A, SDC)).

Deposits received (ETF 253)

A1A.127 *Deposits received* (ETF 253) consists of the net increase in cash held by public sector units as a result of deposits received. This category is further classified into;

- *increase in deposits received* (ETF 2531, SDC).

Increase in deposits received (ETF 2531, SDC)

A1A.128 *Increase in deposits received* (ETF 2531, SDC) consists of the net increase in cash held by public sector units as a result of a net change to its liabilities generated by taking deposits from a private body or other government unit.

Includes: Cash held in public accounts by treasuries on behalf of other government units, for example public non-financial corporations which operate through a trust account held in the public accounts; deposits lodged by public non-financial corporations and other public sector units with central borrowing authorities and by private sector entities with public financial corporations.

Other financing (net) (ETF 259)

A1A.129 *Other financing (net)* (ETF 259) consists of cash flows from other financing activities. This category is further classified into:

- *other financing not elsewhere classified* (ETF 2599, SDC).

Other financing not elsewhere classified (ETF 2599, SDC)

A1A.130 *Other financing not elsewhere classified* (ETF 2599, SDC) consists of other financing transactions resulting in cash flows in the period that cannot be classified to *advances received - concessional loans* (ETF 2511, SDC), *advances received other than concessional loans* (ETF 2512, SDC), *advances repaid* (ETF 2513, SDC), *borrowing (net)* (ETF 2521, SDC) or *increase in deposits received* (ETF 2531, SDC).

Increase / (decrease) in cash held (ETF 26)

A1A.131 *Increase / (decrease) in cash held* (ETF 26) consists of increases and decreases in the stock of cash on hand and cash equivalents held during the accounting period. This category is further classified into:

- *increase / (decrease) in cash held (*ETF 261).

Increase/(decrease) in cash held (ETF 261)

A1A.132 *Increase / (decrease) in cash held* (ETF 261) consists of increases and decreases in the stock of cash on hand and cash equivalents held during the accounting period. This category is further classified into:

- *increase / (decrease) in cash held* (ETF 2611, SDC).

Increase / (decrease) in cash held (ETF 2611, SDC)

A1A.133 *Increase / (decrease) in cash held* (ETF 2611, SDC) consists of the increase/decrease in the value of cash on hand and cash equivalents. Cash on hand refers to notes and coins held and deposits held at call with financial institutions. Cash equivalents refer to highly liquid investments which are readily convertible to cash on hand at the investor's option.

Includes: Increases in cash and bank balances; funds lodged with treasuries or central bank authorities; balances at call; foreign cash and deposits; funds investment by public authorities for a fixed period of time (short term); transactions in Special Drawing Rights; deposits of gold and currency with the IMF less receipts representing revenue from the IMF's gold disbursements.

Transactions in financial assets and liabilities (ETF 3)

A1A.134 *Transactions in financial assets and liabilities* (ETF 3) is the part of the ETF which describes transactions that affect the stock positions of financial assets and liabilities in GFS. The full classification of transactions in financial assets and liabilities is shown in Table A1A.8 below.

Table A1A.8 - Transactions in financial assets and liabilities (ETF 3)

Descriptor	Classification codes
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES	**ETF 3**
Transactions in financial assets (net)	**ETF 31**
Transactions in financial assets (net)	**ETF 311**
Transactions in financial assets (net)	ETF 3111 FALC SDC
Transactions in liabilities (net)	**ETF 32**
Transactions in liabilities (net)	**ETF 321**
Transactions in liabilities (net)	ETF 3211 FALC SDC

Transactions in financial assets and liabilities (net) (ETF 31)

A1A.135 *Transactions in financial assets and liabilities (net)* (ETF 31) consists of the transactions that affect the stock positions of financial assets. This category is further classified into:

- *transactions in financial assets (net)* (ETF 311).

Transactions in financial assets (net) (ETF 311)

A1A.136 *Transactions in financial assets (net)* (ETF 311) consists of the transactions that affect stock positions of financial assets. This category is further classified into:

- *transactions in financial assets (net)* (ETF 3111, FALC, SDC)

Transactions in financial assets (net) (ETF 3111, FALC, SDC)

A1A.137 *Transactions in financial assets (net)* (ETF 3111, FALC, SDC) consists of the transactions that affect stock positions of financial assets. It includes the total value of each category of financial assets acquired in transactions during the reporting period minus the total value of each category of financial assets disposed of in transactions during the reporting period.

Transactions in liabilities (net) (ETF 32)

A1A.138 *Transactions in liabilities (net)* (ETF 32) consists of the transactions that affect stock positions of liabilities. This category is further classified into:

- *transactions in liabilities (net)* (ETF 321).

Transactions in liabilities (net) (ETF 321)

A1A.139 *Transactions in liabilities (net)* (ETF 321) consists of the transactions that affect stock positions of liabilities. This category is further classified into:

- *transactions in liabilities (net)* (ETF 3211, FALC, SDC).

Transactions in liabilities (net) (ETF 3211, FALC, SDC)

A1A.140 *Transactions in liabilities (net)* (ETF 3211, FALC, SDC) consists of the transactions that affect stock positions of liabilities. It includes the total value of each category of liabilities incurred in transactions during the reporting period minus the total value of each category of liabilities extinguished in transactions during the reporting period.

Transactions in non-financial assets (excluding depreciation) (ETF 4)

A1A.141 *Transactions in non-financial assets (excluding depreciation)* (ETF 4) is the part of the ETF that describes transactions that affect stock positions of non-financial assets The full classification of *transactions in non-financial assets (excluding depreciation)* is shown in Table A1A.9 below.

Table A1A.9 - Transactions in non-financial assets (excluding depreciation) (ETF 4)

Descriptor	**Classification codes**
TRANSACTIONS IN NON-FINANCIAL ASSETS (EXCLUDING DEPRECIATION)	**ETF 4**
Acquisitions of non-financial assets	**ETF 41**
Acquisitions of non-financial assets	**ETF 411**
Change in inventories	ETF 4111 NFAC COFOG-A
Acquisitions of non-financial assets under new finance leases	ETF 4112 NFAC COFOG-A SDC
Own-account capital formation	ETF 4113 NFAC COFOG-A
Acquisitions of other new non-financial assets	ETF 4114 NFAC COFOG-A SDC
Acquisitions of second hand non-financial assets	ETF 4115 NFAC COFOG-A SDC
Costs of ownership transfer on non-produced assets other than land	ETF 4116 NFAC COFOG-A SDC

Disposals of non-financial assets	ETF 42
Disposals of non-financial assets	**ETF 421**
Disposals of non-financial assets	ETF 4211 NFAC COFOG-A SDC

A1A.142 *Transactions in non-financial assets (excluding depreciation)* (ETF 4) consists of the transactions that affect stock positions of non-financial assets. It includes the total value of non-financial assets acquired in transactions during the reporting period minus the total value of non-financial assets disposed of in transactions during the reporting period. This category is further classified into:

- *acquisitions of non-financial assets* (ETF 41); and
- *disposals of non-financial assets* (ETF 42).

Acquisitions of non-financial assets (ETF 41)

A1A.143 *Acquisitions of non-financial assets* (ETF 41) consists of the total value of non-financial assets acquired in transactions during the reporting period. This category is further classified into:

- *acquisitions of non-financial assets* (ETF 411).

Acquisitions of non-financial assets (ETF 411)

A1A.144 *Acquisitions of non-financial assets* (ETF 411) consists of the total value of non-financial assets acquired in transactions during the reporting period. This category is further classified into:

- *change in inventories* (ETF 4111, NFAC, COFOG-A);
- *acquisitions of non-financial assets under new finance leases* (ETF 4112, NFAC, COFOG-A);
- *own-account capital formation* (ETF 4113, NFAC, COFOG-A);
- *acquisitions of other new non-financial assets* (ETF 4114, NFAC, COFOG-A);
- *acquisitions of second-hand non-financial assets* (ETF 4115, NFAC, COFOG-A); and
- *costs of ownership transfer on non-produced assets other than land* (ETF 4116, NFAC, COFOG-A).

Change in inventories (ETF 4111, NFAC, COFOG-A)

A1A.145 *Change in inventories* (ETF 4111, NFAC, COFOG-A) consists of the value of additions to inventories minus the value of withdrawals from inventories minus the value of any recurrent losses of goods held in inventories during the reporting period.

Acquisitions of non-financial assets under new finance leases (ETF 4112, NFAC, COFOG-A, SDC)

A1A.146 *Acquisitions of non-financial assets under new finance leases* (ETF 4112, NFAC, COFOG-A, SDC) consists of the value of non-financial assets acquired under finance leases during the reporting period.

Own-account capital formation (ETF 4113, NFAC, COFOG-A)

A1A.147 *Own-account capital formation* (ETF 4113, NFAC, COFOG-A) consists of the value of non-financial assets produced for own use. Further detailed information on own-account capital formation is recorded under *own-account capital formation* (ETF 76).

Acquisitions of other new non-financial assets (ETF 4114, NFAC, COFOG-A, SDC)

A1A.148 *Acquisitions of other new non-financial assets* (ETF 4114, NFAC, COFOG-A, SDC) consists of the value of non-financial assets acquired during the reporting period other than those acquired under finance leases.

Excludes: Non-financial assets acquired under finance leases (classified to *acquisition of non-financial assets under new finance leases* (ETF 4112, NFAC, COFOG-A, SDC)).

Acquisitions of second-hand non-financial assets (ETF 4115, NFAC, COFOG-A, SDC)

A1A.149 *Acquisitions of second-hand non-financial assets* (ETF 4115, NFAC, COFOG-A, SDC) consists of the value of second-hand non-financial assets acquired during the reporting period.

Costs of ownership transfer on non-produced assets other than land (ETF 4116, NFAC, COFOG-A, SDC)

A1A.150 *Costs of ownership transfer on non-produced assets other than land* (ETF 4116, NFAC, COFOG-A, SDC) consists of the costs associated with acquiring and disposing of non-produced assets other than land.

Includes: All professional charges or commission incurred by both units acquiring or disposing of an asset such as fees paid to lawyers, architects, surveyors, engineers and valuers and commissions paid to estate agents and auctioneers; any trade and transport costs separately invoiced to the purchaser; all taxes payable by the unit acquiring the asset on the transfer of ownership of the asset; any tax payable on the disposal of an asset; any delivery and installation or disinstallation costs not included in the price of the asset being acquired or disposed of; any terminal costs incurred at the end of an asset's life such as those required to render the structure safe or to restore the environment in which it is situated.

Excludes: Costs of ownership transfer on land (classified to either change in inventories (ETF 4111), acquisitions of non-financial assets under new finance leases (ETF 4112), own-account capital formation (ETF 4113), acquisitions of other new non-financial assets (ETF 4114) or acquisitions of second-hand non-financial assets (ETF 4115), land improvements (NFAC 113), COFOG-A, SDC).

Disposals of non-financial assets (ETF 42)

A1A.151 *Disposals of non-financial assets* (ETF 42) consists of the value of non-financial assets disposed of in transactions during the reporting period. This category is further classified into:

- *disposals of non-financial assets* (ETF 421).

Disposals of non-financial assets (ETF 421)

A1A.152 *Disposals of non-financial assets* (ETF 421) consists of the value of non-financial assets disposed of in transactions during the reporting period. This category is further classified into:

- *disposals of non-financial assets (*ETF 4211, NFAC, COFOG-A).

Disposals of non-financial assets (ETF 4211, NFAC, COFOG-A, SDC)

A1A.153 *Disposals of non-financial assets* (ETF 4211, NFAC, COFOG-A, SDC) consists of the value of non-financial assets disposed of in transactions during the reporting period.

Other economic flows of assets and liabilities (ETF 5)

A1A.154 *Other economic flows of assets and liabilities* (ETF 5) is the part of the ETF which records changes in the volume or value of assets and liabilities that do not result from transactions. The full classification of the *other economic flows of assets and liabilities* (ETF 5) is shown in Table A1A.10 below.

Table A1A.10 - Other economic flows of assets and liabilities (ETF 5)

Descriptor	Classification codes
OTHER ECONOMIC FLOWS OF ASSETS AND LIABILITIES	**ETF 5**
Holding gains and losses (revaluations)	**ETF 51**
Holding gains and losses (revaluations)	**ETF 511**
Holding gains and losses on financial assets	ETF 5111 FALC
Holding gains and losses on non-financial assets	ETF 5112 NFAC
Holding gains and losses on liabilities	ETF 5113 FALC

Change in net worth due to holding gains and losses	**ETF 512**
Change in net worth due to holding gains and losses	ETF 5121
Other changes in volume	**ETF 52**
Other changes in volume	**ETF 521**
Other changes in the volume of financial assets	ETF 5211 FALC
Other changes in the volume of non-financial assets	ETF 5212 NFAC
Other changes in the volume of liabilities	ETF 5213 FALC
Change in net worth due to other changes in volume	**ETF 522**
Change in net worth due to other changes in volume	ETF 5221

A1A.155 *Other economic flows of assets and liabilities* (ETF 5) consists of changes in assets, liabilities and net worth that are not the result of transactions. This category is further classified into:

- *holding gains and losses (revaluations)* (ETF 51); and
- *other changes in volume* (ETF 52).

Holding gains and losses (revaluations) (ETF 51)

A1A.156 *Holding gains and losses (revaluations)* (ETF 51) consists of gains and losses on the monetary value of assets and liabilities held by public sector units. This category is further classified into:

- *holding gains and losses (revaluations)* (ETF 511).

Holding gains and losses (revaluations) (ETF 511)

A1A.157 *Holding gains and losses (revaluations)* (ETF 511) consists of changes in the monetary value of assets and liabilities resulting from changes in the level and structure of prices, excluding qualitative or quantitative changes in the assets. This category is further classified into:

- *holding gains and losses on financial assets* (ETF 5111, FALC);
- *holding gains and losses on non-financial assets* (ETF 5112, NFAC); and
- *holding gains and losses on liabilities* (ETF 5113, FALC).

Holding gains and losses on financial assets (ETF 5111, FALC)

A1A.158 *Holding gains and losses on financial assets* (ETF 5111, FALC) consists of changes in the monetary value of financial assets resulting from changes in the level and structure of prices, excluding qualitative or quantitative changes in the assets.

Holding gains and losses on non-financial assets (ETF 5112, NFAC)

A1A.159 *Holding gains and losses on non-financial assets* (ETF 5112, NFAC) consists of changes in the monetary value of non-financial assets resulting from changes in the level and structure of prices, excluding qualitative or quantitative changes in the assets.

Holding gains and losses on liabilities (ETF 5113, FALC)

A1A.160 *Holding gains and losses on liabilities* (ETF 5113, FALC) consists of changes in the monetary value of liabilities resulting from changes in the level and structure of prices, excluding qualitative or quantitative changes in the liabilities.

Change in net worth due to holding gains and losses (ETF 512)

A1A.161 Change in net worth due to holding gains and losses (ETF 512) is further classified into:

- *change in net worth due to holding gains and losses* (ETF 5121).

Change in net worth due to holding gains and losses (ETF 5121)

A1A.162 *Change in net worth due to holding gains and losses* (ETF 5121) consists of the sum of the positive and negative holding gains and holding losses on all assets and liabilities.

Other changes in volume (ETF 52)

A1A.163 *Other changes in volume* (ETF 52) consists of the value of qualitative or quantitative changes in the volume of assets and liabilities. This category is further classified into:

- *other changes in volume* (ETF 521).

Other changes in volume (ETF 521)

A1A.164 *Other changes in volume* (ETF 521) consists of any changes in the value of assets and liabilities that do not result from transactions or holding gains. These changes can be the result of events that involve the appearance or disappearance of existing resources as economic assets; the effects of external events (exceptional and unexpected) on some of the economic benefits derivable from assets and corresponding liabilities; and changes in classification. This category is further classified into:

- *other changes in the volume of financial assets* (ETF 5211, FALC);
- *other changes in the volume of non-financial assets* (ETF 5212, NFAC); and
- *other changes in the volume of liabilities* (ETF 5213, FALC).

Other changes in volume of financial assets (ETF 5211, FALC)

A1A.165 *Other changes in the volume of financial assets* (ETF 5211, FALC) consists of any changes in the value of financial assets that do not result from transactions or holding gains.

Includes: Bad debts written off unilaterally.

Other changes in the volume of non-financial assets (ETF 5212, NFAC)

A1A.166 *Other changes in the volume of non-financial assets* (ETF 5212, NFAC) consists of any changes in the value of non-financial assets that do not result from transactions or holding gains.

Other changes in the volume of liabilities (ETF 5213, FALC)

A1A.167 *Other changes in the volume of liabilities* (ETF 5213, FALC) consists of any changes in the value of liabilities that do not result from transactions or holding gains.

Change in net worth due to other changes in volume (ETF 522)

A1A.168 Change in net worth due to other changes in volume (ETF 522) is further classified into:

- *change in net worth due to other changes in volume* (ETF 5221).

Change in net worth due to other changes in volume (ETF 5221)

A1A.169 *Change in net worth due to other changes in volume* (ETF 5221) consists of the sum of the positive and negative other changes in the volume of all assets and liabilities.

Intra-unit transfers (ETF 6)

A1A.170 *Intra-unit transfers* (ETF 6) is the part of the ETF which records the internal transactions that pass between the various funds and accounts of a public sector unit. Intra-unit transfers are used exclusively by the ABS for balancing purposes in GFS. The full classification of *intra-unit transfers* (ETF 6) are shown in Table A1A.11 below.

Table A1A.11 - Intra-unit transfers (ETF 6)

Descriptor	Classification codes
INTRA-UNIT TRANSFERS	**ETF 6**
Intra-unit transfers	**ETF 60**
Intra-unit transfers	**ETF 600**
Intra-unit payments	ETF 6001
Intra-unit receipts	ETF 6002

A1A.171 *Intra-unit transfers* (ETF 6) consists of the internal transactions that pass between the various funds and accounts of a public sector unit. Intra-unit transfers are used exclusively by the ABS for balancing purposes in GFS. This category as further classified into:

- *intra-unit transfers* (ETF 60).

Intra-unit transfers (ETF 60)

A1A.172 *Intra-unit transfers* (ETF 60) consists of the internal transactions that pass between the various funds and accounts of a public sector unit. Intra-unit transfers are used exclusively by the ABS for balancing purposes in GFS. This category as further classified into:

- *intra-unit transfers* (ETF 600).

Intra-unit transfers (ETF 600)

A1A.173 *Intra-unit transfers* (ETF 600) consists of the internal transactions that pass between the various funds and accounts of a public sector unit. Intra-unit transfers are used exclusively by the ABS for balancing purposes in GFS. They do not appear in published GFS data and are used primarily for the editing of input data. This category as further classified into:

- *intra-unit payments* (ETF 6001); and
- *intra-unit receipts* (ETF 6002).

Intra-unit payments (ETF 6001)

A1A.174 *Intra-unit payments* (ETF 6001) consists of payments of intra-unit transfers.

Intra-unit receipts (ETF 6002)

A1A.175 *Intra-unit receipts* (ETF 6002) consists of receipts of intra-unit transfers.

Supplementary information (ETF 7)

A1A.176 *Supplementary information* (ETF 7) is the part of the ETF which records the additional GFS data required for international statistical reporting purposes and national accounting purposes. The full classification of *supplementary information* (ETF 7) is shown in Table A1A.12 below:

Table A1A.12 - Supplementary information (ETF 7)

Descriptor	Classification codes
SUPPLEMENTARY INFORMATION	**ETF 7**
Memorandum items - balance sheet	**ETF 71**
Implicit transfers	**ETF 711**
Implicit transfers receivable from concessional loans	ETF 7111
Implicit transfers payable due to concessional loans	ETF 7112
Liabilities in arrears and related charges	**ETF 712**
Total arrears	ETF 7121

Interest on arrears	ETF 7122
Non-performing loans	**ETF 713**
Non-performing loans at market value	ETF 7131
Contingent liabilities	**ETF 72**
Explicit contingent liabilities	**ETF 721**
Loan and other debt instrument guarantees	ETF 7211
Other one-off guarantees	ETF 7212
Legal claims	ETF 7213
Indemnities	ETF 7214
Uncalled share capital	ETF 7215
Explicit contingent liabilities not elsewhere classified	ETF 7219
Implicit contingent liabilities	**ETF 722**
Present value of implicit obligations for future social security benefits	ETF 7221
Implicit contingent liabilities not elsewhere classified	ETF 7229
Provisions for doubtful debts	**ETF 73**
Provisions for doubtful debts	**ETF 731**
Provisions for doubtful debts	ETF 7311 FALC SDC
Debt maturity	**ETF 74**
Debt by maturity at market value	**ETF 741**
Short-term debt by original maturity valued at market value	ETF 7411 FALC
Long-term debt with payment due within one year or less valued at market value	ETF 7412 FALC
Long-term debt with payment due in more than one year valued at market value	ETF 7413 FALC
Salary sacrifice expenses	**ETF 75**
Salary sacrifice expenses	**ETF 751**
Salary sacrifice expenses - superannuation	ETF 7511 SDC
Salary sacrifice expenses not elsewhere classified	ETF 7519 SDC
Own-account capital formation	**ETF 76**
Own-account superannuation payments	**ETF 761**
Own-account actual employers' contributions - defined contribution scheme	ETF 7611 NFAC COFOG-A
Own-account actual employers' contributions - defined benefit scheme	ETF 7612 NFAC COFOG-A
Own-account imputed employers' contributions - defined benefit scheme	ETF 7613 NFAC COFOG-A
Own-account employee payments other than superannuation	**ETF 762**
Own-account wages, salaries and supplements in cash	ETF 7621 NFAC COFOG-A
Own-account wages, salaries and supplements in kind	ETF 7622 NFAC COFOG-A

Own-account salary sacrifice payments - superannuation	ETF 7623 NFAC COFOG-A
Own-account salary sacrifice payments - items other than superannuation	ETF 7624 NFAC COFOG-A
Own-account Fringe Benefits Tax (FBT) payments	ETF 7625 NFAC COFOG-A
Own-account workers' compensation payments	ETF 7626 NFAC COFOG-A
Own-account employee payments not elsewhere classified	ETF 7629 NFAC COFOG-A
Own-account non-employee payments	**ETF 763**
Own-account use of goods and services	ETF 7631 NFAC COFOG-A
Own-account depreciation of non-financial produced assets	ETF 7632 NFAC COFOG-A
Own-account taxes on production less other subsidies on production	ETF 7633 NFAC COFOG-A
Own-account non-employee payments not elsewhere classified	ETF 7639 NFAC COFOG-A

A1A.177 *Supplementary information* (ETF 7) consists of items of additional economic interest in GFS. This category is further classified into:

- *memorandum items – balance sheet* (ETF 71);
- *contingent liabilities* (ETF 72);
- *provisions for doubtful debts* (ETF 73);
- *debt maturity* (ETF 74);
- *salary sacrifice expenses* (ETF 75); and
- *own-account capital formation* (ETF 76).

Memorandum items - balance sheet (ETF 71)

A1A.178 *Memorandum items - balance sheet* (ETF 71) are recorded in GFS to provide additional information about items related to (but not included on) the GFS balance sheet. Memorandum items in GFS differ to those of commercial accounting in that they are compulsory rather than optional as in commercial accounting. This category is further classified into:

- *implicit transfers* (ETF 711);
- *liabilities in arrears and related charges* (ETF 712); and
- *non-performing loans* (ETF 713).

Implicit transfers (ETF 711)

A1A.179 *Implicit transfers* (ETF 711) consists of the implied transfers arising through concessional lending arrangements, and through other circumstances. This category is further classified into:

- *implicit transfers receivable from concessional loans* (ETF 7111); and
- *implicit transfers payable due to concessional loans* (ETF 7112).

Implicit transfers receivable from concessional loans (ETF 7111)

A1A.180 *Implicit transfers receivable from concessional loans* (ETF 7111) consists of the benefits receivable by borrowers of loans with concessional interest rates. The benefit receivable is equal to the difference between the actual interest payable and the amounts that would be payable if market-equivalent interest prevailed.

Implicit transfers payable due to concessional loans (ETF 7112)

A1A.181 *Implicit transfers payable due to concessional loans* (ETF 7112) consists of the benefits transferred to borrowers of loans with concessional interest rates. The benefit is equal to the difference between the actual interest payable and the amounts that would be payable if market-equivalent interest prevailed.

Liabilities in arrears and related charges (ETF 712)

A1A.182 *Liabilities in arrears and related charges* (ETF 712) consists of arrears on financial instruments, which are amounts that are both unpaid and past the due date for payment, and additional charges relating to arrears. This category is further classified into:

- *total arrears* (ETF 7121); and
- *interest on arrears* (ETF 7122).

Total arrears (ETF 7121)

A1A.183 *Total arrears* (ETF 7121) consists of amounts due on financial instruments that are both unpaid and past the due date for payment.

Interest on arrears (ETF 7122)

A1A.184 *Interest on arrears* (ETF 7122) consists of interest accrued on liabilities in arrears, both principal and interest arrears.

Includes: Additional charges relating to arrears such as penalties.

Non-performing loans (ETF 713 and ETF 7131)

A1A.185 *Non-performing loans* (ETF 713) consists of loan assets for which payments of principal and interest are past due by three months (90 days) or more; interest payments equal to three months (90 days) interest or more have been capitalised (reinvested to the principal amount) or payment has been delayed by agreement; or evidence exists to reclassify a loan as non-performing even in the absence of a 90 day past due payment, such as when the debtor files for bankruptcy.

Contingent liabilities (ETF 72)

A1A.186 *Contingent liabilities* (ETF 72) consists of the value of obligations that do not arise unless a particular, discrete event(s) occurs in the future. The key difference between contingent liabilities and actual liabilities is that one or more conditions must be fulfilled before a financial transaction is recorded. Contingent liabilities are not recognised as liabilities prior to their associated condition(s) being fulfilled. This category is further classified into:

- *explicit contingent liabilities* (ETF 721); and
- *implicit contingent liabilities* (ETF 722).

Explicit contingent liabilities (ETF 721)

A1A.187 *Explicit contingent liabilities* (ETF 721) consists of legal or contractual financial arrangements that give rise to conditional requirements to make payments of economic value. The requirements become effective if one or more stipulated conditions arise. This category is further classified into:

- *loan and other debt instrument guarantees* (ETF 7211);
- *other one-off guarantees* (ETF 7212);
- *legal claims* (ETF 7213);

- *indemnities* (ETF 7214);
- *uncalled share capital* (ETF 7215); and
- *explicit contingent liabilities not elsewhere classified* (ETF 7219).

Loan and other debt instrument guarantees (ETF 7211)

A1A.188 *Loan and other debt instrument guarantees* (ETF 7211) consists of publicly guaranteed debt that is defined as debt liabilities of public and private sector units, the servicing of which is contractually guaranteed by public sector units. Guarantors guarantee the servicing of existing debts of other public and private sector units. Guarantors are only required to make a payment if the debtor defaults.

Other one-off guarantees (ETF 7212)

A1A.189 *Other one-off guarantees* (ETF 7212) consists of commitments by one party to bear the risk of non-payment by another party for instruments other than loan and other debt instruments.

Includes: Credit guarantees such as lines of credit and loan commitments which provide a guarantee that undrawn funds will be available in the future but no financial asset/liability exists until such funds are actually provided or advanced — the undrawn lines of credit and undisbursed loan commitments are contingent liabilities of the issuing institutions; contingent "credit availability" guarantees; contingent credit facilities; letters of credit which are promises to make payment upon the presentation of pre-specified documents; underwritten note issuance facilities which provide a guarantee that a borrower will be able to issue short-term notes and that the underwriting institution(s) will take up any unsold portion of the notes (a liability / asset will be created only when funds are advanced by the underwriting institution(s) and the unutilised portion is a contingent liability); other note guarantee facilities providing contingent credit or back-up purchase facilities such as revolving underwriting facilities, multiple options facilities, and global note facilities (these back-up purchase facilities are provided by banks and non-bank financial institutions and the unutilised amounts of these facilities are contingent liabilities).

Legal claims (ETF 7213)

A1A.190 *Legal claims* (ETF 7213) consists of potential legal claims stemming from pending court cases.

Indemnities (ETF 7214)

A1A.191 *Indemnities* (ETF 7214) consists of commitments to accept the risk of loss or damage another party might suffer.

Includes: Indemnities against unforeseen tax liabilities arising in government contracts with other units.

Uncalled share capital (ETF 7215)

A1A.192 *Uncalled share capital* (ETF 7215) consists of obligations for units to provide additional capital, on demand, to an entity of which they are a shareholder, such as an international financial institution.

Explicit contingent liabilities not elsewhere classified (ETF 7219)

A1A.193 *Explicit contingent liabilities not elsewhere classified* (ETF 7219) consists of other explicit contingent liabilities that cannot be classified to loan and other debt instrument guarantees (ETF 7211), other one-off guarantees (ETF 7212), legal claims (ETF 7213), indemnities (ETF 7214) or uncalled share capital (ETF 7215).

Implicit contingent liabilities (ETF 722)

A1A.194 *Implicit contingent liabilities* (ETF 722) consists of obligations that do not arise from a legal or contractual source but are recognised after a condition or event is realised. This category is further classified into:

- present value of implicit obligations for future social security benefits (ETF 7221); and
- implicit contingent liabilities not elsewhere classified (ETF 7229).

Present value of implicit obligations for future social security benefits (ETF 7221)

A1A.195 *Present value of implicit obligations for future social security benefits* (ETF 7221) consists of the present value of obligations for future social security benefits (other than employment-related retirement benefits) that are under an implicit guarantee by government to assume these liabilities on behalf of another party if certain conditions arise. In Australia, the only type of social security benefits that involve a contractual liability for public sector units relate to employment related retirement benefits. Therefore a zero balance is reported for this category in Australian GFS. The category is maintained as part of the classification to align with the international GFS standards.

Implicit contingent liabilities not elsewhere classified (ETF 7229)

A1A.196 *Implicit contingent liabilities not elsewhere classified* (ETF 7229) consists of implicit contingent liabilities that cannot be classified to present value of implicit obligations for future social security benefits (ETF 7221).

Includes: Ensuring solvency of the banking sector; covering the obligations of state / territory and local governments or the central bank in the event of a default; assuming unguaranteed debt of public sector units; potential spending for natural disaster relief.

Provisions for doubtful debts (ETF 73)

A1A.197 *Provisions for doubtful debts* (ETF 73) is further classified into:

- *provisions for doubtful debts* (ETF 731).

Provisions for doubtful debts (ETF 731)

A1A.198 *Provisions for doubtful debts* (ETF 731) is further classified into:

- *provisions for doubtful debts* (ETF 7311, FALC. SDC).

Provisions for doubtful debts (ETF 7311, FALC, SDC)

A1A.199 *Provisions for doubtful debts* (ETF 7311, FALC, SDC) consists of provisions for anticipated doubtful debts during the reporting period. Provisions for doubtful debts are not recognised as transactions in GFS, but are recorded in the AGFS as part of the supporting information so that the ABS can derive the face value of financial assets and liabilities which is required for international statistical reporting. Provisions or allowances for doubtful debts are not included in GFS output and accounts receivable in the balance sheet is recorded gross of such provisions or allowances.

Debt maturity (ETF 74)

A1A.200 *Debt maturity* (ETF 74) consists of debt classified according to the time until the debt is extinguished as outlined in the contract between the debtor and the creditor. In this context, maturity relates to original maturity, which is the period from the issue date until the final contractually scheduled payment date; or remaining maturity or residual maturity which is the period from the reference date (balance sheet date) until the final contractually scheduled payment date. This category is further classified into:

- *debt by maturity valued at market value* (ETF 741).

Debt by maturity valued at market value (ETF 741)

A1A.201 *Debt by maturity valued at market value* (ETF 741) consists of debt, valued at market value, classified according to the time until the debt is extinguished as outlined in the contract between the debtor and the creditor This category is further classified into:

- *short-term debt by original maturity valued at market value* (ETF 7411, FALC);
- *long-term debt with payment due within one year or less valued at market value* (ETF 7412, FALC); and
- *long-term debt with payment due in more than one year valued at market value* (ETF 7413, FALC).

Short-term debt by original maturity valued at market value (ETF 7411, FALC)

A1A.202 *Short-term debt by original maturity valued at market value* (ETF 7411, FALC) consists of debt, valued at market value, payable on demand.

Long-term debt with payment due within one year or less valued at market value (ETF 7412, FALC)

A1A.203 *Long-term debt with payment due within one year or less valued at market value* (ETF 7412, FALC) consists of debt, valued at market value, with a maturity of one year or less.

Long-term debt with payment due in more than one year valued at market value (ETF 7413, FALC)

A1A.204 *Long-term debt with payment due in more than one year valued at market value* (ETF 7413, FALC) consists of debt, valued at market value, with a maturity of more than one year or no stated maturity.

<u>Excludes</u>: Debt valued at market value, that is payable on demand (classified to *short-term debt by original maturity valued at market value* (ETF 7411, FALC)).

Salary sacrifice expenses (ETF 75)

A1A.205 *Salary sacrifice expenses* (ETF 75) consists of the value of benefits supplied by a public sector employer to employees under a salary sacrifice arrangement. These expenses are collected as part of the Australian GFS for national accounting purposes and contains details not normally used in GFS. This category is further classified into:

- *salary sacrifice expenses* (ETF 751).

Salary sacrifice expenses (ETF 751)

A1A.206 *Salary sacrifice expenses* (ETF 751) consists of the employer's expense when an employee agrees to forego part of their future salary or wages in return for their employer providing benefits of a similar value. This category is further classified into:

- *salary sacrifice expenses – superannuation* (ETF 7511, SDC); and
- *salary sacrifice expenses not elsewhere classified* (ETF 7519, SDC).

Salary sacrifice expenses – superannuation (ETF 7511, SDC)

A1A.207 *Salary sacrifice expenses – superannuation* (ETF 7511, SDC) consists of expenses incurred by the employer when an employee agrees to forego part of their future salary or wages in return for their employer providing superannuation benefits of a similar value.

Salary sacrifice expenses not elsewhere classified (ETF 7519, SDC)

A1A.208 *Salary sacrifice expenses not elsewhere classified* (ETF 7519, SDC) consists of expenses incurred by the employer when an employee agrees to forego part of their future salary or wages in return for their employer providing benefits of a similar value other than superannuation.

Own-account capital formation (ETF 76)

A1A.209 *Own-account capital formation* (ETF 76) consists of the value of the production of non-financial assets for own use. This category is further classified into:

- *own-account superannuation payments* (ETF 761);
- *own-account employee payments other than superannuation* (ETF 762); and
- *own-account non-employee payments* (ETF 763).

Own-account superannuation payments (ETF 761)

A1A.210 *Own-account superannuation payments* (ETF 761) consists of accrued and imputed costs under both defined contribution and defined benefit superannuation schemes in return for work related to own-account capital formation. A defined contribution superannuation scheme is one where the benefits payable to the employee on retirement are determined by the funds that have accumulated from employer and employee contributions over the working life of the employee, together with income and capital gains / losses arising from the investment of the accumulated funds. The funds are accumulated in a separate superannuation fund managed by a board of trustees or guardians of the scheme (autonomous fund). The government employer has a responsibility to make the regular agreed contributions to the fund, but then has no further superannuation liability towards their employees. A defined benefit superannuation scheme is one where the benefits payable to the employee on retirement are defined by some formula normally related to participants' length of service and salary. This category is further classified into:

- *own-account actual employers' contributions – defined contribution scheme* (ETF 7611, NFAC, COFOG-A);
- *own-account actual employers' contributions – defined benefit scheme* (ETF 7612, NFAC, COFOG-A); and
- *own-account imputed employers' contributions – defined benefit* scheme (ETF 7613, NFAC, COFOG-A).

Own-account actual employers' contributions – defined contribution scheme (ETF 7611, NFAC, COFOG-A)

A1A.211 *Own-account actual employers' contributions – defined contribution scheme* (ETF 7611, NFAC, COFOG-A) consists of the amounts payable by employers to defined contribution superannuation schemes for the benefit of their employees, in return for work related to own-account capital formation.

Own-account actual employers' contributions – defined benefit scheme (ETF 7612, NFAC, COFOG-A)

A1A.212 *Own-account actual employers' contributions – defined benefit scheme* (ETF 7612, NFAC, COFOG-A).This category consists of the amounts payable by employers to defined benefit superannuation schemes for the benefit of their employees, in return for work related to own-account capital formation.

Own-account imputed employers' contributions – defined benefit scheme (ETF 7613, NFAC, COFOG-A)

A1A.213 *Own-account imputed employers' contributions – defined benefit scheme* (ETF 7613, NFAC, COFOG-A) consists of the amount of employer contributions to defined benefit superannuation schemes that would be needed to secure the de-facto entitlements to the benefits accumulated by their employees, in return for work related to own-account capital formation. Some employers provide benefits directly to their employees, former employees or their dependants from their own resources without involving an autonomous superannuation fund and without creating a special fund or segregated reserve for the purpose.

Own-account employee payments other than superannuation (ETF 762)

A1A.214 *Own-account employee payments other than superannuation* (ETF 762) consists of all employee payments other than superannuation contributions, in cash or in kind, payable to an individual in an employer-employee relationship in return for work performed by the latter related to own-account capital formation. This category is further classified into:

- *own-account wages, salaries and supplements in cash* (ETF 7621, NFAC, COFOG-A);
- *own-account wages and salaries in kind* (ETF 7622, NFAC, COFOG-A);
- *own-account salary sacrifice payments - superannuation* (ETF 7623, NFAC, COFOG-A);
- *own-account salary sacrifice payments - other than superannuation* (ETF 7624, NFAC, COFOG-A);
- *own-account Fringe Benefits tax (FBT) payments* (ETF 7625, NFAC, COFOG-A);
- *own-account workers' compensation payments* (ETF 7626, NFAC, COFOG-A); and
- *own-account employee payments not elsewhere classified* (ETF 7629, NFAC, COFOG-A).

Own-account wages, salaries and supplements in cash (ETF 7621, NFAC, COFOG-A)

A1A.215 *Own-account wages, salaries and supplements in cash* (ETF 7621, NFAC, COFOG-A) consists of compensation of employees payable in cash, or any other financial instruments used as means of payments, in return for work related to own-account capital formation.

Includes: Basic wages or salaries payable at regular weekly, monthly or other intervals, including payments by results and piecework payments; enhanced payments or special allowances for working overtime, at nights, on weekends or other irregular hours; allowances for working away from home or in disagreeable or hazardous circumstances; expatriation allowances for working abroad; supplementary allowances payable regularly such as housing allowances or allowances to cover the costs of travel to and from work; wages or salaries payable to employees away from work for short periods such as on vacation or as a result of a temporary halt to production; annual supplementary pay such as bonuses; ad hoc bonuses or other exceptional payments linked to the overall performance of the enterprise made under incentive schemes; commission, gratuities and tips received by employees; amounts withheld from wages and salaries by the employer for administrative convenience or for other reasons such as income taxes or other deductibles, payable by the employee; employee benefits, such as a car or extra pension contributions, that is acquired from the employer by foregoing some salary.

Own-account wages and salaries in kind (ETF 7622, NFAC, COFOG-A)

A1A.216 *Own-account wages and salaries in kind* (ETF 7622, NFAC, COFOG-A) consists of compensation of employees payable in the form of goods, services, interest foregone and shares issued to employees in return for work related to own-account capital formation. Almost any kind of goods or services may be provided as wages and salaries in kind. It includes goods and services provided without charge or at reduced prices. The goods and services provided in kind to employees are not necessary to enable the employees to perform their work.

Includes: Meals and drinks provided on a regular basis including any subsidy element of an office canteen; clothing or footwear that employees may choose to wear frequently outside of the workplace and while at work; housing services or accommodation of a type that can be used by all members of the household to which the employee belongs; services of vehicles or other durables provided for the personal use of employees; goods and services produced by the employer such as free travel on government airplanes or trains; sports, recreation or holiday facilities for employees and their families; transportation to and from work; free or subsidised parking when it would otherwise have to be paid for; childcare for the children of employees; the value of the interest foregone by employers when they provide loans to employees at reduced or even zero rates of interest for purposes of buying houses, vehicles, furniture or other goods or services; bonus shares or stock options distributed to employees.

Own-account salary sacrifice payments - superannuation (ETF 7623, NFAC, COFOG-A)

A1A.217 *Own account salary sacrifice payments – superannuation* (ETF 7623, NFAC, COFOG-A) consists of salary sacrifice payments relating to superannuation provided by the employer to employees working on own-account capital formation.

Own-account salary sacrifice payments - items other than superannuation (ETF 7624, NFAC, COFOG-A)

A1A.218 *Own account salary sacrifice payments – items other than superannuation* (ETF 7624, NFAC, COFOG-A) consists of salary sacrifice payments relating to items other than superannuation provided by the employer to employees working on own-account capital formation.

Own-account Fringe Benefits Tax (FBT) payments (ETF 7625, NFAC, COFOG-A)

A1A.219 *Own-account Fringe Benefits Tax (FBT) payments* (ETF 7625, NFAC, COFOG-A) consists of fringe benefits tax payable on certain benefits employers provide to their employees or their employees' associates in place of salary or wages, in return for work related to own-account capital formation.

Own-account workers' compensation payments (ETF 7626, NFAC, COFOG-A)

A1A.220 *Own-account workers' compensation payments* (ETF 7626, NFAC, COFOG-A) consists of workers' compensation amounts payable by employers under legislation for work-related injury and illness suffered by employees, in return for work related to own-account capital formation.

Own-account employee payments not elsewhere classified (ETF 7629, NFAC, COFOG-A)

A1A.221 *Own-account employee payments not elsewhere classified* (ETF 7629, NFAC, COFOG-A) consists of employee payments incurred in return for work related to own-account capital formation that cannot be classified to *own-account wages, salaries and supplements in cash* (ETF 7621, NFAC, COFOG-A), *own-account wages and salaries in kind* (ETF 7622, NFAC, COFOG-A), *own-account salary sacrifice payments - superannuation* (ETF 7623, NFAC, COFOG-A), *own-account salary sacrifice payments - other than superannuation* (ETF 7624, NFAC, COFOG-A); *own-account Fringe Benefits tax (FBT) payments* (ETF 7625, NFAC, COFOG-A) or *own-account workers' compensation payments* (ETF 7626, NFAC, COFOG-A).

Includes: Accrued expenses for the current period relating to accident compensation premium, sick leave, annual leave, long service leave retirement and redundancy.

Own-account non-employee payments (ETF 763)

A1A.222 *Own-account non-employee payments* (ETF 763) consists of the value of payments connected to work relating to own-account capital formation that are not related to the compensation of employees. This category is further classified into:

- *own-account use of goods and services* (ETF 7631, NFAC, COFOG-A);
- *own-account depreciation of non-financial produced assets* (ETF 7632, NFAC, COFOG-A);
- *own-account other taxes on production less other subsidies on production* (ETF 7633, NFAC, COFOG-A); and
- *own-account non-employee payments not elsewhere classified* (ETF 7639, NFAC, COFOG-A).

Own-account use of goods and services (ETF 7631, NFAC, COFOG-A)

A1A.223 *Own-account use of goods and services* (ETF 7631, NFAC, COFOG-A) consists of the value of goods and services acquired for use in own-account capital formation.

Includes: Amounts payable to contractors, self-employed outworkers and other workers who are not employees of general government or public sector units; use of goods and services when such use is mandatory in order to enable employees to carry out their work whether purchased by the employer or purchased by employees who are then subsequently reimbursed by the employer; tools or equipment used exclusively or mainly at work whether purchased by the employer or purchased by employees who are then subsequently reimbursed by the employer; clothing or footwear of a kind that ordinary consumers do not choose to purchase or wear and which are worn exclusively or mainly at work such as protective clothing, overalls or uniforms whether purchased by the employer or purchased by employees who are then subsequently reimbursed by the employer; accommodation services at the place of work of a kind that cannot be used by the households to which the employees belong such as barracks, cabins, dormitories and huts; special meals or drinks necessitated by exceptional working conditions, while travelling for business reasons or meals or drinks provided to employees while on active duty whether purchased by the employer or purchased by employees who are then subsequently reimbursed by the employer; travel, relocation or related expenses when employees take up new jobs or are required by their employers to move their homes to different parts of the country or to another country whether purchased by the employer or purchased by employees who are then subsequently reimbursed by the employer; changing facilities, washrooms, showers and baths necessitated by the nature of the work; first aid facilities, medical examinations or other health checks required because of the nature of the work; costs incurred on inexpensive, durable goods such as small / hand tools (saws, spades, knives, axes, hammers, screwdrivers, spanners, wrenches) when such expenses are incurred regularly and are small compared with the costs incurred for the acquisition of machinery and equipment; goods and services consumed for the ordinary maintenance and repair of fixed assets; payments by the lessee for rental of a fixed asset under an operating lease.

Own-account depreciation of fixed assets (ETF 7632, NFAC, COFOG-A)

A1A.224 *Own-account depreciation of non-financial produced assets* (ETF 7632, NFAC, COFOG-A) consists of the depreciation of produced assets attributed to use in own-account capital formation.

Own-account other taxes on production less other subsidies on production (ETF 7633, NFAC, COFOG-A)

A1A.225 *Own-account other taxes on production less other subsidies on production* (ETF 7633, NFAC, COFOG-A) consists of other taxes on production associated with own-account capital formation minus other subsidies on production associated with own-account capital formation.

Own-account non-employee payments not elsewhere classified (ETF 7639, NFAC, COFOG-A)

A1A.226 *Own-account non-employee payments not elsewhere classified* (ETF 7639, NFAC, COFOG-A) consists of non-employee expenses associated with work related to own–account capital formation that cannot be classified to *own-account use of goods and services* (ETF 7631, NFAC, COFOG-A), *own-account depreciation of non-financial produced assets* (ETF 7632, NFAC, COFOG-A) or *own-account other taxes on production less other subsidies on production* (ETF 7633, NFAC, COFOG-A).

Balance sheet (ETF 8)

A1A.227 *Balance sheet* (ETF 8) is the part of the ETF which records an institutional unit's stock of assets and liabilities and net worth at a specific point in time. This information is used to compile the balance sheet at the end of each accounting period. The full classification is found in Table A1A.13 below:

Table A1A.13 - Balance sheet (ETF 8)

Descriptor	Classification codes
BALANCE SHEET	**ETF 8**
Assets	**ETF 81**
Assets	**ETF 811**
Financial assets	ETF 8111 FALC SDC
Non-financial assets	ETF 8112 NFAC
Liabilities	**ETF 82**
Liabilities	**ETF 821**
Liabilities	ETF 8211 FALC SDC
Net worth	**ETF 83**
Net worth	**ETF 831**
Net worth	ETF 8311

A1A.228 *Balance sheet* (ETF 8) consists of the stock of assets and liabilities of a public sector unit at a specific point in time. This category is further classified into:

- assets (ETF 81);
- *liabilities* (ETF 82); and
- *net worth* (ETF 83).

Assets (ETF 81)

A1A.229 *Assets* (ETF 81) consists of financial and non-financial assets. This category is further classified into:

- *assets* (ETF 811).

Assets (ETF 811)

A1A.230 *Assets* (ETF 811) consists of stores of value representing a benefit or series of benefits accruing to the economic owner by holding or using the resource over a period of time. This category is further classified into:

- *financial assets* (ETF 8111, FALC, SDC); and
- *non-financial assets* (ETF 8112, NFAC).

Financial assets *(ETF 8111, FALC, SDC)*

A1A.231 *Financial assets* (ETF 8111, FALC, SDC) consists of financial claims and gold bullion held by monetary authorities as a reserve asset. Financial claims are assets that typically entitle the owner of the asset (the creditor) to receive funds or other resources from another unit, under the terms of a liability. They provide benefits to the creditor by acting as a store of value or by generating interest, other property income or holding gains.

Non-financial assets *(ETF 8112, NFAC)*

A1A.232 *Non-financial assets* (ETF 8112, NFAC) consists of produced assets which have come into existence as outputs of the production process and non-produced assets which have come into existence through processes other than production.

Liabilities (ETF 82)

A1A.233 *Liabilities* (ETF 82) is further classified into:

- *liabilities* (ETF 821).

Liabilities (ETF 821)

A1A.234 *Liabilities* (ETF 821) is further classified into:

- *liabilities* (ETF 8211, FALC, SDC).

Liabilities *(ETF 8211, FALC, SDC)*

A1A.235 *Liabilities* (ETF 8211, FALC, SDC) consists of the obligations of one unit (the debtor) to provide funds or other resources to another unit (the creditor), under specific circumstances. Liabilities are normally established through a legally binding contract that specifies the terms and conditions of the payment to be made and payment according to the contract is unconditional. Liabilities can also be created by the force of law and by events that require future transfer payments. Whenever a liability exists, the creditor has a corresponding financial claim on the debtor. A financial claim is an asset that typically entitles the owner of the asset (the creditor) to receive funds or other resources from another unit, under the terms of a liability.

Net worth (ETF 83)

A1A.236 *Net worth* (ETF 83) is further classified into:

- *net worth* (ETF 831).

Net worth (ETF 831)

A1A.237 *Net worth* (ETF 831) is further classified into:

- *net worth* (ETF 8311).

Net worth (ETF 8311)

A1A.238 *Net worth* (ETF 8311) consists of the total value of a unit's assets minus the total value of its liabilities.

FINANCIAL ASSET AND LIABILITY CLASSIFICATION

A1A.239 *The financial asset and liability classification* (FALC) is a classification used for the identification of financial assets and liabilities for GFS output purposes. The structure of the FALC is hierarchical, and consists of a 2-digit level (major group), and a 3-digit level (subgroup). The major group reflects government financial assets and liabilities at the broad level, and the subgroup reflects the details of the types of financial assets and liabilities which comprise the major group. Further information on the FALC may be found in Chapter 8 and Chapter 9 of this manual. The FALC is shown in Table A1A.14 below.

Table A1A.14 - Financial asset and liability classification (FALC)

FALC	Descriptor
1	**Financial assets**
11	Currency and deposits
111	Cash and deposits
112	Special Drawing Rights (SDRs)
113	Monetary gold (bullion)
114	Monetary gold (allocated and unallocated)
12	Securities and related assets
121	Debt securities
122	Financial derivatives
123	Employee stock options
124	Equity including contributed capital
125	Investment fund shares or units
13	Loans and placements
131	Finance leases
132	Advances - concessional loans
133	Advances other than concessional loans
139	Loans and placements not elsewhere classified
14	Insurance, superannuation, and standardised guarantee schemes
141	Non-life insurance technical reserves
142	Life insurance and annuities entitlements
143	Provisions for defined benefit superannuation*
144	Claims of superannuation funds on superannuation manager
145	Provision for calls under standardised guarantee schemes
15	Other financial assets
151	Provisions for employee entitlements other than superannuation*
152	Accounts receivable
159	Other financial assets not elsewhere classified
2	**Liabilities**
21	Currency and deposits
211	Cash and deposits
212	Special Drawing Rights (SDRs)
22	Securities and related liabilities
221	Debt securities
222	Financial derivatives
223	Employee stock options
224	Equity including contributed capital
225	Investment fund shares or units
23	Loans and placements

231	Finance leases
232	Advances - concessional loans
233	Advances other than concessional loans
239	Loans and placements not elsewhere classified
24	Insurance, superannuation, and standardised guarantee schemes
241	Non-life insurance technical reserves
242	Life insurance and annuities entitlements
243	Provisions for defined benefit superannuation
244	Claims of superannuation funds on superannuation manager
245	Provision for calls under standardised guarantee schemes
25	Other liabilities
251	Provisions for employee entitlements other than superannuation
252	Accounts payable
259	Other liabilities not elsewhere classified

*** In Australian GFS, only the net liability position is currently recorded. The asset category is only maintained to align with international standards and will report a zero balance until specifically earmarked assets can be reported by data providers.**

Financial assets (FALC 1)

A1A.240 *Financial assets* (FALC 1) consists of financial claims and monetary gold in the form of gold bullion held by monetary authorities as a reserve asset. Financial claims are assets that typically entitle the owner of the asset (the creditor) to receive funds or other resources from another unit, under the terms of a liability. They provide benefits to the creditor by acting as a store of value or by generating interest, other property income or holding gains. This category is further classified into:

- *currency and deposits* (FALC 11);
- *securities and related assets* (FALC 12);
- *loans and placements* (FALC 13);
- *insurance, superannuation and standardised guarantee schemes* (FALC 14); and
- *other financial assets* (FALC 15).

Currency and deposits (FALC 11)

A1A.241 Currency *and deposits* (FALC 11) is further classified into:

- *cash and deposits* (FALC 111);
- *Special Drawing Rights (SDRs)* (FALC 112);
- *monetary gold (bullion)* (FALC 113); and
- *monetary gold (allocated and unallocated)* (FALC 114).

Cash and deposits (FALC 111)

A1A.242 *Cash and deposits* (FALC 111) consists of:

- cash in the form of notes and coins that are of fixed nominal values and are issued or authorised by the central bank or government; and
- deposits which refers to all claims on the deposit taking corporations (including the central bank) and in some cases, general government or other institutional units.

Includes: Notes and coins on hand; cheques held but not yet deposited; cash and deposits in both Australian currency and foreign currency; deposits placed in the short-term money market such as grants received from the Commonwealth and deposited overnight; units issued by cash management trusts; withdrawable share capital of building societies; claims on the IMF that are components of international reserves and are not evidenced by loans; repayable margin payments in cash related to financial derivative contracts; sight deposits that permit immediate cash withdrawals but not direct third-party transfers; savings and fixed-term deposits; overnight and very short-term repurchase agreements that are included in the national measures of broad money; foreign currency deposits that are blocked because of the rationing of foreign exchange as a matter of national policy; seignorage.

Excludes: Gold and commemorative coins that are not in circulation as legal tender or monetary gold (classified to valuables (NFAC 221) or *inventories – materials and supplies* (NFAC 211)); unallocated gold accounts held by monetary authorities as reserves assets (classified to *monetary gold (allocated and unallocated)* (FALC 114)); claims on the IMF that are evidenced by loans (classified to *loans and placements not elsewhere classified* (FALC 139)).

Special Drawing Rights (SDRs) (FALC 112)

A1A.243 *Special Drawing Rights (SDRs)* (FALC 112) consists of international reserve assets created by the International Monetary Fund (IMF) and allocated to its members to supplement reserve assets. SDR holdings represent each holder's unconditional right to obtain foreign exchange or other reserve assets from other IMF members.

Monetary gold (gold bullion) (FALC 113)

A1A.244 *Monetary gold (gold bullion)* (FALC 113) consists of gold bullion, in the form of coins, ingots or bars with a purity of at least 995 parts per 1000, to which the monetary authorities (or others who are subject to the effective control of the monetary authorities) have title and is held as a reserve asset. Monetary gold in the form of bullion is a type of financial asset that has no counterpart liability in GFS and is restricted to central banks or central governments. A central bank is a public financial corporation that issues bank notes and coins and holds the international reserves of the country (in Australia, this is the Reserve Bank of Australia). Gold bullion is traded on organised markets or through bilateral arrangements between central banks.

Excludes: Gold not held as a reserve asset but held primarily as a store of value (classified to *valuables* (NFAC 221)); gold not held as a reserve asset but used in a production process (classified to *inventories – materials and supplies* (NFAC 211)); allocated or unallocated gold accounts held as reserve assets (classified to *monetary gold (allocated and unallocated)* (FALC 114)); deposits, loans and debt securities denominated in gold (classified to *cash and deposits* (FALC 111), *loans and placements not elsewhere classified* (FALC 139) and *debt securities* (FALC 121) respectively)).

Monetary gold (allocated and unallocated) (FALC 114)

A1A.245 *Monetary gold (allocated and unallocated)* (FALC 114) consists of allocated and unallocated gold accounts to which the monetary authorities (or others who are subject to the effective control of the monetary authorities) have title and is held as a reserve asset. Allocated gold accounts provide ownership of a specific piece of gold. The ownership of the gold remains with the entity placing it for safe custody. Unallocated gold accounts represent a claim against the account custodian to deliver gold. For these accounts, the account provider holds title to a reserve base of physical gold and issues claims to account holders denominated in gold.

Excludes: gold not held as a reserve asset but held primarily as a store of value (classified to *valuables* (NFAC 221)); gold not held as a reserve asset but used in a production process (classified to *inventories – materials and supplies* (NFAC 211)); unallocated gold accounts not held as reserve assets (classified to *cash and deposits* (FALC 111)); deposits, loans and debt securities denominated in gold (classified to *cash and deposits* (FALC 111), *loans and placements not elsewhere classified* (FALC 139) and *debt securities* (FALC 121) respectively)).

Securities and related assets (FALC 12)

A1A.246 *Securities and* related *assets* (FALC 12) is further classified into:

- *debt securities* (FALC 121);
- *financial derivatives* (FALC 122);
- *employee stock options* (FALC 123);

- *equity including contributed capital* (FALC 124); and
- *investment fund shares or units* (FALC 125).

Debt securities (FALC 121)

A1A.247 *Debt securities* (FALC 121) consists of negotiable financial instruments serving as evidence of a debt.

Includes: Bills such as treasury bills, negotiable certificates of deposit, bankers' acceptances, promissory notes, and commercial paper; bonds and debentures; bonds that are convertible into shares; zero-coupon bonds; deep-discount bonds; loans that have become negotiable from one holder to another and where there is evidence of secondary market trading; non-participating preferred stocks or shares; asset-backed securities; collateralised debt obligations; stripped securities; and index-linked securities.

Financial derivatives (FALC 122)

A1A.248 *Financial derivatives* (FALC 122) consists of financial instruments that are linked to another specific financial instrument or indicator or commodity, through which specific financial risks, such as interest rate risk, foreign exchange risk, equity and commodity price risks and credit risks, can be traded in their own right in financial markets.

Includes: Options, warrants including detachable warrants, forward-type contracts such as futures, forward rate agreements and forward foreign exchange contracts; swap contracts such as currency swaps, interest rate swaps and cross-currency interest rate swaps; credit derivatives such as total return swaps and credit default swaps; and stock options granted to employees that can be traded on financial markets without restriction; repurchase agreements; securities repurchase agreements which involve the sale of securities for cash, at a specified price, with a commitment to repurchase the same or similar securities at a fixed price either on a specified future data or with an open maturity; securities lending which involves security holders transferring securities to another party, subject to the stipulation that the same or similar securities be returned on a specified date or on demand; gold swaps which involve an exchange of gold for foreign exchange deposits with an agreement that the transaction be reversed at an agreed future date at an agreed gold price; and off-market swaps which involve swap contracts that have a non-zero value at inception as a result of having reference rates priced differently from current market values.

Excludes: Instruments with embedded derivatives (these are classified according to the primary characteristics of the instrument); central bank swap arrangements (classified to *advances other than concessional loans* (FALC 133)); repayable margin payments made in cash (classified to *currency and deposits* FALC 211); repayable margin payments made in assets other than cash (not recorded as a transaction or change in stock position because no change in economic ownership has occurred).

Employee stock options (FALC 123)

A1A.249 *Employee stock options* (FALC 123) consists of options to buy the equity of a company, offered to employees of the company as a form of remuneration.

Includes: Stock options provided to suppliers of goods and services.

Excludes: Stock options granted to employees that can be traded on financial markets without restriction (classified to *financial derivatives* (FALC 122)).

Equity including contributed capital (FALC 124)

A1A.250 *Equity including contributed capital* (FALC 124) consists of all instruments and records that acknowledge claims on the residual value of a corporation or quasi-corporation, after the claims of all creditors have been met.

Includes: Listed and unlisted shares; stocks; participations; depository receipts which are securities that represent ownership of securities listed in other economies.

Investment fund shares or units (FALC 125)

A1A.251 *Investment fund shares or units* (FALC 125) consists of collective investment undertakings through which investors pool funds for investment in financial or non-financial assets. These funds issue shares (if a corporate structure is used) or units (if a trust structure is used). Investment fund shares or units refer to the shares issued by mutual funds and unit trusts, rather than the shares they may hold.

Includes: Money market funds; non-money market funds.

Loans and placements (FALC 13)

A1A.252 *Loans and placements* (FALC 13) is further classified into:

- *finance leases* (FALC 131);
- *advances - concessional loans* (FALC 132);
- *advances other than concessional loans* (FALC 133); and
- *loans and placements not elsewhere classified* (FALC 139).

Finance leases (FALC 131)

A1A.253 *Finance leases* (FALC 131) consists of contracts under which the lessor, as legal owner of the asset, conveys substantially all risks and rewards of ownership of the asset to the lessee.

Advances - concessional loans (FALC 132)

A1A.254 *Advances - concessional loans* (FALC 132) consists of loans with concessional interest rates.

Advances other than concessional loans (FALC 133)

A1A.255 *Advances other than concessional loans* (FALC 133) consists of loans and other non-equity financial assets acquired for policy rather than for liquidity management purposes. As a general rule, all loans made by general government to other government bodies, except loans made by central borrowing authorities, are deemed to be for policy purposes.

Includes: Long and short-term loans, non-marketable debentures; and long and short term promissory agreements (bonds and bills) issued to public sector units for the purposes of achieving government policy objectives.

Excludes: Government equity in public corporations (classified to *equity including contributed capital* (FALC 124)); grants (classified to *revenue from current grants and subsidies* (ETF 1141, SDC) or *revenue from capital grants* (ETF 1151, SDC)); concessional loans (classified to *advances – concessional loans* (FALC 132)); investment for liquidity management and income generation purposes.

Loans and placements not elsewhere classified (FALC 139)

A1A.256 *Loans and placements not elsewhere classified* (FALC 139) consists of financial instruments that are created when a creditor lends funds directly to a debtor and receives a non-negotiable document as evidence of the asset.

Includes: Overdrafts, mortgage loans; loans to finance trade credit and advances; claims on the IMF in the form of loans.

Excludes: Concessional loans (classified to *advances - concessional loans* (FALC 132)); trade credit and advances (classified to *accounts receivable* (FALC 152)); accounts receivable (classified to *accounts receivable* (FALC 152)); loans that have become negotiable from one holder to another and where there is evidence of secondary market trading (classified to *debt securities* (FALC 121)); financial assets created by finance leases (classified to *finance leases* (FALC 131)); loans acquired for policy rather than for liquidity management purposes (classified to *advances other than concessional loans* (FALC 133)).

Insurance, superannuation and standardised guarantee schemes (FALC 14)

A1A.257 Insurance, superannuation and standardised guarantee schemes (FALC 14) is further classified into;

- *non-life insurance technical reserves* (FALC 141);
- *life insurance and annuities entitlements* (FALC 142);
- *provisions for defined benefit superannuation* (FALC 143);
- *claims of superannuation funds on superannuation fund manager* (FALC 144); and
- *provisions for calls under standardised guarantee* (FALC 145).

Non-life insurance technical reserves (FALC 141)

A1A.258 *Non-life insurance technical reserves* (FALC 141) consists of prepayments of net non-life insurance premiums and reserves to meet outstanding non-life insurance claims.

Includes: Reserves for unexpired risks; equalisation reserves when there is an event that gives rise to a liability.

Life insurance and annuities entitlements (FALC 142)

A1A.259 *Life insurance and annuities entitlements* (FALC 142) consists of financial claims policy holders have against an enterprise offering life insurance or providing annuities.

Includes: Liabilities of life insurance companies and annuity providers for prepaid premiums and accrued liabilities to life insurance policy holders and beneficiaries of annuities

Provisions for defined benefit superannuation (FALC 143)

A1A.260 *Provisions for defined benefit superannuation* (FALC 143) consists of provisions for financial claims that past and current employees hold against either their employer, or a fund designated by the employer, to pay defined benefit superannuation as part of a compensation agreement between the employer and employee. In Australian GFS, only the net liability position for *provisions for defined benefit superannuation* (FALC 243) is currently shown as any related financial assets have been netted off. This asset category is maintained to align with the international standards and will report a zero balance until specifically earmarked assets can be reported by data providers.

Claims of superannuation funds on superannuation manager (FALC 144)

A1A.261 *Claims of superannuation funds on superannuation manager* (FALC 144) consists of claims a superannuation fund may have on the superannuation manager to fund a deficit that is the responsibility of the superannuation manager.

Provisions for calls under standardised guarantee schemes (FALC 145)

A1A.262 *Provisions for calls under standardised guarantee schemes* (FALC 145) consists of the expected calls under outstanding guarantees net of any recoveries the guarantor expects to receive from defaulting borrowers.

Includes: Export credit guarantees, deposit guarantees; student loan guarantees.

Other financial assets (FALC 15)

A1A.263 *Other financial assets* (FALC 15) is further classified into:

- *provisions for employee entitlements other than superannuation* (FALC 151);
- accounts receivable (FALC 152); and
- other financial assets not elsewhere classified (FALC 159).

Provisions for employee entitlements other than superannuation (FALC 151)

A1A.264 *Provisions for employee entitlements other than superannuation* (FALC 151) consists of funds set aside by an institutional unit to cover employee entitlements other than superannuation. In Australian GFS, only the net liability position for *provisions for employee entitlements other than superannuation* (FALC 251) is shown as any related financial assets have been netted off. This asset category is maintained to align with the international standards and will report a zero balance until specifically earmarked assets can be reported by data providers.

Accounts receivable (FALC 152)

A1A.265 *Accounts receivable* (FALC 152) consists of trade credit, advances and miscellaneous other items due to be received. Accounts receivable are recorded at nominal value.

Includes: Accounts receivable; trade credit extended directly to purchasers of goods and services; advances for work that is in progress or to be undertaken, such as progress payments made during construction in advance for work being done or for prepayments of goods and services; accrued but unpaid taxes; dividends; purchases and sales of securities; rent; wages and salaries; social contributions; social benefits; payments due under financial derivative contracts that are in arrears; payments of amounts that have not yet accrued such as prepayments of taxes; deposits payable in advance to cover breakages or non-payment for the use of goods and services; and bail deposits.

Excludes: Loans (classified to *loans and placements* (FALC 13)), debt securities (classified to *debt securities* (FALC 121)); and promissory notes or another type of security issued to consolidate the payment due on several trade credits (classified to *debt securities* (FALC 121)); deposits held by court or tax authorities pending resolution of a dispute (classified to *cash and deposits* (FALC 111)).

Other financial assets not elsewhere classified (FALC 159)

A1A.266 *Other financial assets not elsewhere classified* (FALC 159) consists of financial assets that cannot be classified to currency and deposits (FALC 11), securities and related assets (FALC 12), loans and placements (FALC 13), insurance, superannuation and standardised guarantee schemes (FALC 14), provisions for employee entitlements other than superannuation (FALC 151) or accounts receivable (FALC 152).

Liabilities (FALC 2)

A1A.267 *Liabilities* (FALC 2) consists of the obligations of one unit (the debtor) to provide funds or other resources to another unit (the creditor), under specific circumstances. Liabilities are normally established through a legally binding contract that specifies the terms and conditions of the payment to be made and payment according to the contract is unconditional. Liabilities can also be created by the force of law and by events that require future transfer payments. Whenever a liability exists, the creditor has a corresponding financial claim on the debtor. A financial claim is an asset that typically entitles the owner of the asset (the creditor) to receive funds or other resources from another unit, under the terms of a liability. This category is further classified into:

- *currency and deposits* (FALC 21);
- *securities and related liabilities* (FALC 22);
- *loans and placements* (FALC 23);
- *insurance, superannuation and standardised guarantee schemes* (FALC 24); and
- *other liabilities* (FALC 25).

Currency and deposits (FALC 21)

A1A.268 *Currency* and *deposits (*FALC 21) is further classified into:

- *cash and deposits* (FALC 211); and
- *Special Drawing Rights (SDRs)* (FALC 212).

Cash and deposits (FALC 211)

A1A.269 *Cash and deposits* (FALC 211) consists of:

- cash in the form of notes and coins that are of fixed nominal values and are issued or authorised by the central bank or government; and
- deposits which refers to all claims on the deposit taking corporations (including the central bank) and in some cases, general government or other institutional units.

Includes: Notes and coins on hand; cheques held but not yet deposited; cash and deposits in both Australian currency and foreign currency; deposits placed in the short-term money market such as grants received from the Commonwealth and deposited overnight; units issued by cash management trusts; withdrawable share capital of building societies; claims on the IMF that are components of international reserves and are not evidenced by loans; repayable margin payments in cash related to financial derivative contracts; unallocated accounts for precious metals (including gold); sight deposits that permit immediate cash withdrawals but not direct third-party transfers; savings and fixed-term deposits; overnight and very short-term repurchase agreements that are included in the national measures of broad money; foreign currency deposits that are blocked because of the rationing of foreign exchange as a matter of national policy.

Excludes: Claims on the IMF that are evidenced by loans (classified to *advances other than concessional loans* (FALC 233)).

Special Drawing Rights (SDRs) (FALC 212)

A1A.270 *Special Drawing Rights (SDRs)* (FALC 212) consists of international reserve assets created by the International Monetary Fund (IMF) and allocated to its members to supplement reserve assets. The allocation of SDRs is a liability of the member country and interest accrues on this liability. SDR holdings represent each holder's unconditional right to obtain foreign exchange or other reserve assets from other IMF members.

Securities and related liabilities (FALC 22)

A1A.271 *Securities and related liabilities* (FALC 22) is further classified into:

- *debt securities* (FALC 221);
- *financial derivatives* (FALC 222);
- *employee stock options (*FALC 223);
- *equity and contributed capital* (FALC 224); and
- *investment fund shares or units* (FALC 225).

Debt securities (FALC 221)

A1A.272 *Debt securities* (FALC 221) consists of negotiable financial instruments serving as evidence of a debt.

Includes: Treasury bills; negotiable certificates of deposit; bankers' acceptances; promissory notes; commercial paper; bonds and debentures; bonds that are convertible into shares; zero-coupon bonds; deep-discount bonds; loans that have become negotiable from one holder to another and where there is evidence of secondary market trading; non-participating preferred stocks or shares; asset-backed securities; collateralised debt obligations; stripped securities; and index-linked securities.

Financial derivatives (FALC 222)

A1A.273 *Financial derivatives* (FALC 222) consists of financial instruments that are linked to another specific financial instrument or indicator or commodity, through which specific financial risks, such as interest rate risk, foreign exchange risk, equity and commodity price risks and credit risks, can be traded in their own right in financial markets.

Includes: Options, warrants including detachable warrants, forward-type contracts such as futures, forward rate agreements and forward foreign exchange contracts; swap contracts such as currency swaps, interest rate swaps and cross currency interest rate swaps; credit derivatives such as total return swaps and credit default swaps; non-repayable margin payments; repurchase agreements; securities repurchase agreements which involve the sale of securities for cash, at a specified price, with a commitment to repurchase the same or similar securities at a fixed price either on a specified future data or with an open maturity; securities lending which involves security holders transferring securities to another party, subject to the stipulation that the same or similar securities be returned on a specified date or on demand; gold swaps which involve an exchange of gold for foreign exchange deposits with an agreement that the transaction be reversed at an agreed future date at an agreed gold price; and off-market swaps which involve swap contracts that have a non-zero value at inception as a result of having reference rates priced differently from current market values.

Excludes: Insurance and standardised guarantees (classified to *insurance, superannuation and standardised guarantee schemes* (FALC 24)); contingent assets such as one-off guarantees (classified to *loan and other debt instrument guarantees* (ETF 7211) or *other one-off guarantees* (ETF 7212) and letters of credit (classified to *other one-off guarantees* (ETF 7212); instruments with embedded derivatives (classified according to the primary characteristics of the instrument); central bank swap arrangements (classified to *advances other than concessional loans* (FALC 233)); repayable margin payments made in cash (classified to *cash and deposits* (FALC 211); repayable margin payments made in assets other than cash (not recorded as a transaction or change in stock position because no change in economic ownership has occurred).

Employee stock options (FALC 223)

A1A.274 *Employee stock options* (FALC 223) consists of options to buy the equity of a company, offered to employees of the company as a form of remuneration.

Includes: Stock options provided to suppliers of goods and services.

Excludes: Stock options granted to employees that can be traded on financial markets without restriction (classified to FALC 222 Financial derivatives).

Equity including contributed capital (FALC 224)

A1A.275 *Equity including contributed capital* (FALC 224) consists of all instruments and records that acknowledge claims on the residual value of a corporation or quasi-corporation, after the claims of all creditors have been met. Equity is treated as a liability of the issuing institutional unit (a public corporation or other government unit). it is recorded at market value if listed or set equal to assets less non-equity liabilities if not listed.

Includes: Listed and unlisted shares; stocks; participations; depository receipts which are securities that represent ownership of securities listed in other economies.

Investment fund shares or units (FALC 225)

A1A.276 *Investment fund shares or* units (FALC 225) consists of collective investment undertakings through which investors pool funds for investment in financial or non-financial assets. These funds issue shares (if a corporate structure is used) or units (if a trust structure is used). Investment fund shares or units refer to the shares issued by mutual funds and unit trusts, rather than the shares they may hold.

Includes: Money market funds; non-money market funds.

Loans and placements (FALC 23)

A1A.277 *Loans and placements* (FALC 23) is further classified into:

- *finance leases* (FALC 231);
- *advances - concessional loans* (FALC 232);
- *advances other than concessional loans* (FALC 233); and
- *loans and placements not elsewhere classified* (FALC 239).

Finance leases (FALC 231)

A1A.278 *Finance leases* (FALC 231) consists of contracts under which the lessor, as legal owner of the asset, conveys substantially all risks and rewards of ownership of the asset to the lessee.

Advances - concessional loans (FALC 232)

A1A.279 *Advances - concessional loans* (FALC 232) consists of loans with concessional interest rates.

Advances other than concessional loans (FALC 233)

A1A.280 *Advances other than concessional loans* (FALC 233) consists of loans and other non-equity financial assets received from government authorities for policy rather than for liquidity management purposes. As a general rule, all loans made by general government to other government bodies, except loans made by central borrowing authorities, are deemed to be for policy purposes.

Includes: Long and short-term loans; non-marketable debentures; long and short term promissory agreements (bonds and bills) issued to public sector units for the purposes of achieving government policy objectives.

Excludes: Government equity in public corporations (classified to *equity including contributed capital* (FALC 224)); grants (classified to *revenue from current grants and subsidies* (ETF 1141, SDC) or *revenue from capital grants* (ETF 1151, SDC)); non-repayable funds (classified to *revenue from current grants and subsidies* (ETF 1141, SDC) or *revenue from capital grants* (ETF 1151, SDC)); concessional loans (classified to *advances – concessional loans* (FALC 232)); investment for liquidity management and income generation purposes.

Loans and placements not elsewhere classified (FALC 239)

A1A.281 *Loans and placements not elsewhere classified* (FALC 239) consists of financial instruments that are created when a creditor lends funds directly to a debtor and receives a non-negotiable document as evidence of the asset.

Includes: Overdrafts, mortgage loans; loans to finance trade credit and advances; claims on the IMF in the form of loans.

Excludes: Concessional loans (classified to *advances - concessional loans* (FALC 232)); trade credit and advances (classified to *accounts payable* (FALC 252)); accounts payable (classified to *accounts payable* (FALC 252)); loans that have become negotiable from one holder to another and where there is evidence of secondary market trading (classified to *debt securities* (FALC 221)); financial assets created by finance leases (classified to *finance leases* (FALC 231)); and loans acquired for policy rather than for liquidity management purposes (classified to *advances other than concessional loans* (FALC 233)).

Insurance, superannuation and standardised guarantee schemes (FALC 24)

A1A.282 *Insurance, superannuation and standardised guarantee schemes* (FALC 24) is further classified into:

- *non-life insurance technical reserves* (FALC 241);
- *life insurance and annuities entitlements* (FALC 242);
- *provisions for defined benefit superannuation* (FALC 243);
- *claims of superannuation funds on superannuation manager* (FALC 244); and
- *provisions for calls under standardised guarantee schemes* (FALC 245).

Non-life insurance technical reserves (FALC 241)

A1A.283 *Non-life insurance technical reserves* (FALC 241) consists of prepayments of net non-life insurance premiums and reserves to meet outstanding non-life insurance claims.

Includes: Reserves for unexpired risks; equalisation reserves when there is an event that gives rise to a liability.

Life insurance and annuities entitlements (FALC 242)

A1A.284 *Life insurance and annuities entitlements* (FALC 242) consists of financial claims policy holders have against an enterprise offering life insurance or providing annuities.

Includes: Liabilities of life insurance companies and annuity providers for prepaid premiums and accrued liabilities to life insurance policy holders and beneficiaries of annuities

Provisions for defined benefit superannuation (FALC 243)

A1A.285 *Provisions for defined benefit superannuation* (FALC 243) consists of provisions for financial claims that past and current employees hold against either their employer, or a fund designated by the employer, to pay defined benefit superannuation as part of a compensation agreement between the employer and employee

Includes: Liabilities of unfunded superannuation schemes.

Excludes: Liabilities for the payment of social security benefits that were due to be paid but have not yet been paid (classified to *accounts payable* (FALC 252)).

Claims of superannuation funds on superannuation manager (FALC 244)

A1A.286 *Claims of superannuation funds on superannuation manager* (FALC 244) consists of claims a superannuation fund may have on the superannuation manager to fund a deficit that is the responsibility of the superannuation manager.

Provisions for calls under standardised guarantee schemes (FALC 245)

A1A.287 *Provisions for calls under standardised guarantee schemes* (FALC 245) consists of the expected calls under outstanding guarantees net of any recoveries the guarantor expects to receive from defaulting borrowers.

Includes: Export credit guarantees, deposit guarantees; student loan guarantees.

Other liabilities (FALC 25)

A1A.288 *Other liabilities* (FALC 25) is further classified into;

- *provisions for employee entitlements other than superannuation* (FALC 251);
- *accounts payable* (FALC 252); and
- *other liabilities not elsewhere classified* (FALC 259).

Provisions for employee entitlements other than superannuation (FALC 251)

A1A.289 *Provisions for employee entitlements other than superannuation* (FALC 251) consists of claims on an institutional unit to cover employee entitlements other than superannuation. Institutional units incur a liability equal to the present value of the employee entitlements.

Includes: Liabilities for sick leave paid on resignation or retirement; recreation leave; long service leave; workers' compensation where benefits are paid by an employer not a separate insurer.

Accounts payable (FALC 252)

A1A.290 *Accounts payable* (FALC 252) consists of trade credit, advances and miscellaneous other items due to be paid.

Includes: Accounts payable; trade credit extended directly to purchasers of goods and services; advances for work that is in progress or to be undertaken, such as progress payments made during construction in advance for work being done or for prepayments of goods and services; accrued but unpaid taxes; dividends; purchases and sales of securities; rent; accrued wages and salaries; social contributions; social benefits; payments due under financial derivative contracts that are in arrears; payments of amounts that have not yet accrued such as prepayments of taxes; deposits payable in advance to cover breakages or non-payment for the use of goods and services; bail deposits; social security benefits due for payment but not yet paid; and payments for emissions permits received by government when there is a timing difference between receipt of the payment and the time the corresponding emission occurs.

Excludes: Loans (classified to FALC 23 Loans and placements), debt securities (classified to *debt securities* (FALC 221)); promissory notes or another type of security issued to consolidate the payment due on several trade credits (classified to debt *securities* (FALC 221)); deposits held by court or tax authorities pending resolution of a dispute (classified to *cash and deposits* (FALC 211)).

Other liabilities not elsewhere classified (FALC 259)

A1A.291 This category consists of liabilities that cannot be assigned to FALC 21, FALC 22, FALC 23, FALC 24, FALC 251 and FALC 252.

NON-FINANCIAL ASSET CLASSIFICATION

A1A.292 The non-financial asset classification (NFAC) is a classification used for the identification of non-financial assets for GFS output purposes. The structure of the NFAC is hierarchical, and consists of a 2-digit level (major group), and a 3-digit level (subgroup). The major group reflects government non-financial assets at the broad level, and the subgroup reflects the details of the types of non-financial assets which comprise the major group. Further information on the NFAC may be found in Chapter 8 and Chapter 10 of this manual. The major group level of the NFAC is shown in Table A1A.15 below:

Table A1A.15 - Non-financial asset classification (NFAC)

NFAC	Descriptor
1	**Produced assets**
11	Buildings and structures
111	Dwellings
112	Buildings other than dwellings
113	Land improvements
119	Structures not elsewhere classified
12	Machinery and equipment
121	Transport equipment
122	Information, computer and telecommunications equipment
129	Machinery and equipment not elsewhere classified
13	Cultivated biological resources
131	Animal resources yielding repeat products
132	Tree, crop and plant resources yielding repeat products
14	Intellectual property products
141	Research and development
142	Mineral exploration and evaluation
143	Computer software
144	Databases
145	Entertainment, literary and artistic originals
149	Intellectual property products not elsewhere classified
15	Weapons systems
151	Weapons systems
2	**Other produced assets**
21	Inventories
211	Inventories - materials and supplies

212	Inventories - work in progress
213	Inventories - finished goods
214	Inventories - goods for resale
215	Inventories - military inventories
22	Valuables
221	Valuables
23	Other produced assets
239	Other produced assets not elsewhere classified
3	**Non-produced assets**
31	Tangible non-produced assets
311	Land
312	Mineral and energy resources
313	Non-cultivated biological resources
314	Water resources
315	Radio spectra
319	Tangible non-produced assets not elsewhere classified
32	Intangible non-produced assets
321	Marketable operating leases
322	Permits to use natural resources
323	Permits to undertake specific activities
324	Entitlements to future goods and services on an exclusive basis
325	Goodwill and marketing assets
329	Intangible non-produced assets not elsewhere classified
33	Other non-produced assets
339	Other non-produced assets not elsewhere classified

Produced assets (NFAC 1)

A1A.293 *Produced assets* (NFAC 1) are assets that are used repeatedly or continuously in production processes for more than one year. This category is further classified into:

- *buildings and structures* (NFAC 11);
- *machinery and equipment* (NFAC 12);
- *cultivated biological resources* (NFAC 13);
- *intellectual property products* (NFAC 14); and
- *weapons systems* (NFAC 15).

Buildings and structures (NFAC 11)

A1A.294 *Buildings and structures* (NFAC 11) is further classified into:

- *dwellings* (NFAC 111);
- *buildings other than dwellings* (NFAC 112);
- *land improvements* (NFAC 113); and
- *structures not elsewhere classified* (NFAC 119).

The value of buildings and structures includes all amounts payable for site clearance and preparation and the cost of all fixtures, facilities and equipment that are integral parts of buildings structures. Public monuments in the form of buildings and structures are included in this category. This encompasses the construction of new public monuments, as well as major improvements to existing public monuments. Public monuments are identifiable because of particular historical, national, regional, local, religious or symbolic significance. In principle, public monuments should be included in *dwellings* (NFAC 111), *buildings other than dwellings* (NFAC 112) or *structures not elsewhere classified* (NFAC 119) as appropriate. In practice, it may be desirable to classify them as other structures. Refer to paragraph 7.42 to 7.43 of the IMF GFSM 2014 for further information on public monuments.

Dwellings (NFAC 111)

A1A.295 *Dwellings* (NFAC 111) consists of buildings, or designated parts of buildings, that are used entirely or primarily as residences including any associated structures such as garages, and all permanent fixtures customarily installed in residences.

Includes: Houseboats, barges, mobile homes and caravans used as principal residences; public monuments identified primarily as dwellings; dwellings acquired by government for military personnel; incomplete dwellings where the ultimate user is deemed to have taken economic ownership because the construction is own account or as evidenced by the existence of a contract of sale or purchase; costs of site clearance and preparation for new dwellings.

Buildings other than dwellings (NFAC 112)

A1A.296 *Buildings other than dwellings* (NFAC 112) consists of whole buildings or parts of buildings not designated as dwellings and all fixtures, facilities and equipment that are integral parts of these structures.

Includes: Office buildings; schools; hospitals; prisons; buildings for public entertainment; warehouses and industrial buildings; commercial buildings; hotels and restaurants; public monuments identified primarily as non-residential buildings; costs of site clearance and preparation for new buildings.

Land improvements (NFAC)

A1A.297 *Land improvements* (NFAC) consists of the result of actions that lead to major improvements in the quantity, quality or productivity of land, or prevent its deterioration.

Includes: Activities that are integral to the land in question such as land reclamation, land clearance, land contouring, creation of wells and watering holes; preparation for the erection of buildings; planting of crops; and costs of ownership transfer on land.

Excludes: Construction of seawalls, dikes, dams and major irrigation systems that are not integral to the land and often affect land belonging to several owners and which are often carried out by government (classified to *structures not elsewhere classified* (NFAC 119)).

Structures not elsewhere classified (NFAC 119)

A1A.298 *Structures not elsewhere classified* (NFAC 119) consists of all structures other than buildings.

Includes: Highways; streets; roads; bridges; elevated highways; tunnels; railways; subways; airfield runways; sewers; waterways; harbours; dams; shafts, tunnels and other structures associated with mining mineral and energy resources; communication lines; power lines; long distance pipelines; local pipelines; cables; outdoor sport and recreation facilities; mining and manufacturing constructions; construction of seawalls, dikes, flood barriers and similar structures intended to improve the quality and quantity of land adjacent to them; infrastructure necessary for aquaculture such as fish farms and shellfish beds; public monuments that cannot be identified as dwellings or buildings other than dwellings; buildings and structures acquired for military purposes that are used repeatedly, or continuously, in processes of production for more than one year; costs of site clearance and preparation; construction of major irrigation systems that are not integral to the land and often affect land belonging to several owners.

Machinery and equipment (NFAC 12)

A1A.299 *Machinery and equipment* (NFAC 12) is further classified into:

- *transport equipment* (NFAC 121);
- *information, communication and telecommunications equipment* (NFAC 122); and
- *machinery and equipment not elsewhere classified* (NFAC 129).

Machinery and equipment forming an integral part of a building or other structure are included in the value of the building or structure rather than in this category.

Transport equipment (NFAC 121)

A1A.300 *Transport equipment* (NFAC 121) consists of equipment for moving people and objects.

Includes: Motor vehicles; trailers; semitrailers; ships; railway and tramway locomotives and rolling stock; aircraft; motorcycles; bicycles; spacecraft.

Excludes: Houseboats, barges, mobile homes and caravans used as principal residences (classified to NFAC 111 Dwellings); transport equipment acquired by households for final consumption.

Information, computer and telecommunications equipment (NFAC 122)

A1A.301 *Information, computer and telecommunications equipment* (NFAC 122) consists of devices using electronic controls and also the electronic components forming part of these devices.

Includes: Products that form part of computing machinery and parts and accessories thereof such as processors, hard drives, monitors and keyboards; television and radio transmitters; television; video; digital cameras; telephone sets.

Excludes: Computer software (classified to *computer software* (NFAC 143)); computer equipment acquired by households for final consumption.

Machinery and equipment not elsewhere classified (NFAC 129)

A1A.302 Machinery and equipment not elsewhere classified (NFAC 129) consists of all machinery and equipment that cannot be classified to transport equipment (NFAC 121) or information, computer and telecommunications equipment (NFAC 122).

Includes: General-purpose and special-purpose machinery; office and accounting equipment; electrical machinery; medical appliances; precision and optical instruments; furniture; watches and clocks; musical instruments; sports goods; paintings, sculptures and other works of art; antiques; and collections of considerable value that are not held primarily as stores of value but are owned and displayed for the purpose of producing museum and similar services.

Excludes: Tools, such as hand tools, that are inexpensive and purchased at a relatively steady rate and do not form a large share of the stock of machinery and equipment (classified to *use of goods and services* (ETF 1233, COFOG-A, SDC)); weapons systems (classified to *weapons systems* (NFAC 151)); items of considerable value that are owned primarily as stores of value that are not intended for use in production (classified to *valuables* (NFAC 221)); machinery and equipment that form an integral part of a building or other structure (classified to *buildings other than dwellings* (NFAC 112) or *structures not elsewhere classified* (NFAC 119)); machinery and equipment acquired by households for final consumption.

Cultivated biological resources (NFAC 13)

A1A.303 *Cultivated biological resources* (NFAC 13) is further classified into:

- *animal resources yielding repeat products* (NFAC 131); and
- *tree, crop and plant resources yielding repeat products* (NFAC 132). whose natural growth and regeneration are under the direct control, responsibility and management of institutional units.

Animal resources yielding repeat products (NFAC 131)

A1A.304 *Animal resources yielding repeat products* (NFAC 131) consists of animal resources that yield repeat products and that are under the direct control, responsibility and management of institutional units.

Includes: Breeding stocks; dairy cattle; draft animals; sheep or other animals used for wool production; animals used for transportation, racing or entertainment; aquatic resources yielding repeat products; immature animal resource assets produced on own account.

Excludes: Immature animal resource assets unless produced for own use (classified to *inventories – work in progress* (NFAC 211)); animals raised for slaughter, including poultry (classified to *inventories – work in progress* (NFAC 211)).

Tree, crop and plant resources yielding repeat products (NFAC 132)

A1A.305 *Tree, crop and plant resources yielding repeat products* (NFAC 132) consists of tree, crop and plant resources that yield repeat products and that are under the direct control, responsibility and management of institutional units.

Includes: Trees, vines and shrubs cultivated for fruits, nuts, sap, resin, bark and leaf products; vineyards, orchards and plantations; immature tree, crop and plant resource assets produced on own account.

Excludes: Trees grown for timber that yield a finished product once only when they are ultimately felled (classified to *inventories - goods for resale* (NFAC 214)); grains or vegetables that produce only a single crop when they are harvested (classified to *inventories - goods for resale* (NFAC 214)); immature tree, crop and plant resource assets unless produced on own account (classified to *inventories – work in progress* (NFAC 211)).

Intellectual property products (NFAC 14)

A1A.306 *Intellectual property products* (NFAC 14) are the result of research, development, investigation or innovation leading to knowledge that the developers can market or use to their own benefit in production because use of the knowledge is restricted by means of legal or other protection. This category is further classified into:

- *research and development* (NFAC 141);
- *mineral exploration and evaluation* (NFAC 142);
- *computer software* (NFAC 143);
- *databases* (NFAC 144);
- *entertainment, literary and artistic originals* (NFAC 145); and
- *intellectual property products not elsewhere classified* (NFAC 149).

Research and development (NFAC 141)

A1A.307 *Research and development* (NFAC 141) consists of expenditure on creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society, and use of this stock of knowledge to devise new applications.

Includes: Research and development that provides an economic benefit to its owner.

Excludes: Research and development work that does not provide an economic benefit to its owner (classified to *non-employee expenses not elsewhere classified* (ETF 1239, COFOG-A, SDC)).

Mineral exploration and evaluation (NFAC 142)

A1A.308 *Mineral exploration and evaluation* (NFAC 142) consists of expenditure on exploration for petroleum, natural gas and non-petroleum deposits and subsequent evaluation of the discoveries made.

Includes: Pre-licence costs; licence costs; acquisition costs; appraisal costs; costs of aerial and other surveys; test drilling and boring costs; transportation and other costs incurred to make exploration possible.

Computer software (NFAC 143)

A1A.309 *Computer software* (NFAC 143) consists of computer programs, program descriptions and supporting materials for both systems and applications software that are expected to be used for more than one year.

Includes: Purchased software; software developed on own account; software intended only for own use; software intended for sale by means of copies.

Databases (NFAC 144)

A1A.310 *Databases* (NFAC 144) consists of files of data organised in such a way as to permit resource-effective access and use of the data.

Includes: Purchase, development or extension of computer databases that are expected to be used in production for more than one year.

Entertainment, literary and artistic originals (NFAC 145)

A1A.311 *Entertainment, literary and artistic originals* (NFAC 145) consists of original films, sound recordings, manuscripts, tapes and models in which drama performances, radio and television programming, musical performances, sporting events and literary and artistic output are recorded or embodied.

Includes: Purchased entertainment, literary and artistic works; entertainment, literary and artistic works produced on own account.

Intellectual property products not elsewhere classified (NFAC 149)

A1A.312 *Intellectual property products not elsewhere classified* (NFAC 149) consists of intellectual property products that cannot be classified to research and development (NFAC 141), mineral exploration and evaluation (NFAC 142), computer software (NFAC 143), databases (NFAC 144) or entertainment, literary and artistic originals (NFAC 145).

Includes: New information and specialised knowledge not elsewhere classified which is restricted for use by the units that have established ownership rights over the information or to other units licensed by the owners.

Weapons systems (NFAC 15 and NFAC 151)

A1A.313 *Weapons systems* (NFAC 15 and NFAC 151) consists of military vehicles and equipment designed to launch weapons of destruction, that are used continuously for more than one year in the provision of defence services, even if their peacetime use is simply to provide deterrence.

Includes: Warships, submarines, military aircraft, tanks, missile carriers; launchers; single-use weapons with a highly destructive capability which provide an ongoing service of deterrence against aggressors such as ballistic missiles.

Excludes: Single-use weapons such as missiles, rockets and bombs (classified to NFAC 215 Military inventories).

Other produced assets (NFAC 2)

A1A.314 *Other produced assets* (NFAC 2) consists of all produced assets other than fixed assets. This category is further classified into:

- *inventories* (NFAC 21);
- *valuables* (NFAC 22); and
- *other produced assets* (NFAC 23).

Inventories (NFAC 21)

A1A.315 *Inventories* (NFAC 21) are goods and services which came into existence in the current period or in an earlier period and that are held for sale, use in production or other use at a later date. Inventories consists of stocks of goods that are still held by the units that produced them prior to their being further processed, sold, delivered to other units or used in other ways; products acquired from other units that are intended to be used in the production of market and non-market goods and services by units, or for resale without further processing; and goods that are held for strategic and emergency purposes, goods held by market regulatory organisations and other goods of special importance to the nation. This category is further classified into:

- *materials and supplies* (NFAC 211);
- *work in progress* (NFAC 212);
- *finished goods* (NFAC 213);
- *goods for resale* (NFAC 214); and
- *military inventories* (NFAC 215).

Inventories - materials and supplies (NFAC 211)

A1A.316 *Inventories - materials and supplies* (NFAC 211) consists of all goods held with the intention of using them as inputs to a production process.

Includes: Office supplies; fuel; foodstuffs.

Excludes: Costs of ownership transfer.

Inventories - work in progress (NFAC 212)

A1A.317 *Inventories - work in progress* (NFAC 212) consists of goods and services that are not yet sufficiently processed to be in a state in which it is normally supplied to other institutional units.

Includes: Growing crops; computer programs in development; and architectural drawings that are in the process of completion.

Excludes: Partially completed projects for which the ultimate owner is deemed to have taken economic ownership in stages, either when the production is for own use and the new owner assumes the risks and benefits associated with the incomplete asset, or when evidenced by specific clauses in a contract of sale or purchase (classified to the appropriate category within *fixed assets* (NFAC 1)); costs of ownership transfer.

Inventories - finished goods (NFAC 213)

A1A.318 *Inventories - finished goods* (NFAC 213) consists of goods that are the output of a production process, are still held by their producer and are not expected to be processed further by the producer before being supplied to other units. Finished goods may only be held by the units that produce them.

Includes: Architectural drawings that are completed and awaiting the ultimate owner to take ownership.

Excludes: Costs of ownership transfer.

Inventories - goods for resale (NFAC 214)

A1A.319 *Inventories - goods for resale* (NFAC 214) consists of goods acquired for the purpose of reselling or transferring to other units without being further processed. Goods for resale may be transported, stored, graded, sorted, washed or packaged by their owners to present them for resale in ways that are attractive to their customers or beneficiaries but they are not otherwise transformed.

Includes: Goods purchased by general government units for provision free of charge or at prices that are not economically significant to other units; goods acquired by general government for distribution as social transfers in kind but that have not yet been so delivered; strategic stocks which are held for strategic and emergency purposes; goods held by market regulatory organisations; and commodities of special importance to the nation such as grain and petroleum.

Excludes: Costs of ownership transfer.

Military inventories (NFAC 215)

A1A.320 *Military inventories* (NFAC 215) consists of single-use items delivered by weapons or weapons systems.

Includes: Ammunition; missiles, rockets, bombs.

Excludes: Single-use weapons with a highly destructive capability which provide an ongoing service of deterrence against aggressors such as ballistic missiles (classified to *weapons systems* (NFAC 151)), and costs of ownership transfer.

Valuables (NFAC 22)

A1A.321 *Valuables* (NFAC 22) is further classified into:

- *valuables* (NFAC 221).

Valuables (NFAC 221)

A1A.322 *Valuables* (NFAC 221) are produced assets of considerable value that are not used primarily for purposes of production or consumption but are held as stores of value over time. Valuables are expected to appreciate, or at least not to decline, in real value and they do not deteriorate over time under normal conditions.

Includes: Non-monetary gold and other precious stones and metals that are not intended to be used as materials and supplies in the processes of production; paintings, sculptures and other objects recognised as works of art or antiques held primarily as stores of value over time; jewellery of significant value fashioned out of precious stones and metals; collections; and commemorative coins that are not in circulation as legal tender.

Excludes: Collections of considerable value that are not held primarily as stores of value but are owned and displayed for the purpose of producing museum and similar services (classified to *machinery and equipment not elsewhere classified* (NFAC 129)).

Other produced assets (NFAC 23)

A1A.323 *Other produced assets* (NFAC 23) is further classified into:

- *other produced assets not elsewhere classified* (NFAC 239)..

Other produced assets not elsewhere classified (NFAC 239)

A1A.324 *Other produced assets not elsewhere classified* (NFAC 239) consists of produced assets other than fixed assets that cannot be classified to *inventories* (NFAC 21) or *valuables* (NFAC 22).

Non-produced assets (NFAC 3)

A1A.325 *Non-produced assets* (NFAC 3) consists of assets that are not outputs from the processes of production. This category is further classified into:

- *tangible non-produced assets* (NFAC 31);
- *intangible non-produced assets* (NFAC 32); and
- *other non-produced assets* (NFAC 39).

Tangible non-produced assets (NFAC 31)

A1A.326 *Tangible non-produced assets* (NFAC 31) are naturally occurring assets over which ownership rights are enforced. This category is further classified into:

- *land* (NFAC 311);
- *mineral and energy resources* (NFAC 312);
- *non-cultivated biological resources* (NFAC 313);
- *water resources* (NFAC 314);
- *radio spectra* (NFAC 315); and

- *tangible non-produced assets not elsewhere classified* (NFAC 319).

Excludes: Environmental assets over which ownership rights cannot be acquired such as the open sea or air.

Land (NFAC 311)

A1A.327 *Land* (NFAC 311) consists of the ground, including the soil covering and any associated surface waters, over which ownership rights are enforced and from which economic benefits can be derived by their owners by holding or using them.

Includes: Land holdings; reservoirs, lakes, rivers and other inland waters over which ownership rights can be exercised; and non-cultivated biological resources that have economic value included in the value of the associated land.

Excludes: Water bodies from which water is regularly extracted, against payment, for use in production (including for irrigation) (classified to *water resources* (NFAC 314)); buildings and other structures constructed on the land or through it, such as roads, office buildings and tunnels (classified to *buildings other than dwellings* (NFAC 112), or *structures not elsewhere classified* (NFAC 119)); land improvements (classified to *land improvements* (NFAC 113)); the costs of ownership transfer on land (classified to *land improvements* (NFAC 113)); subsoil assets (classified to *mineral and energy resources* (NFAC 142)); non-cultivated biological resources (classified to *non-cultivated biological resources* (NFAC 313)); water resources below the ground (classified to *water resources* (NFAC 314); cultivated components of vineyards, orchards and other plantations of trees, animals and crops (classified to *animal resources yielding repeat products* (NFAC 131) or *tree, crop and plant resources yielding repeat products* (NFAC 132)).

Mineral and energy resources (NFAC 312)

A1A.328 *Mineral and energy resources* (NFAC 312) consists of mineral and energy reserves located on or below the earth's surface that are economically exploitable, given current technology and relative prices. Ownership rights to the mineral and energy resources are usually separable from those to the land itself.

Includes: Deposits under the sea; known reserves of oil, natural gas and coal; known reserves of metallic ores including ferrous, non-ferrous and precious metal ores; non-metallic mineral reserves including stone quarries, clay and sand pits, chemical and fertiliser mineral deposits, deposits of salt, quartz, gypsum, natural gem stones, asphalt, bitumen and peat.

Excludes: Mine shafts, wells and other subsoil extraction facilities (classified to *structures not elsewhere classified* (NFAC 119)).

Non-cultivated biological resources (NFAC 313)

A1A,329 *Non-cultivated biological resources* (NFAC 313) consists of animals, birds, fish and plants that yield both once-only and repeat products over which ownership rights are enforced but for which natural growth or regeneration is not under the direct control, responsibility and management of any institutional units.

Includes: Virgin forests and fisheries that are commercially exploitable.

Excludes: Non-cultivated biological resources that have economic value included in the value of the associated land (classified to *land* (NFAC 311)).

Water resources (NFAC 314)

A1A.330 *Water resources* (NFAC 314) of surface and groundwater resources used for extraction to the extent that their scarcity leads to the enforcement of ownership or use rights, market valuation and some measure of economic control.

Radio spectra (NFAC 315)

A1A,331 *Radio spectra* (NFAC 315) consists of the electromagnetic spectrum which includes the range of radio frequencies used in the transmission of sound, data and television.

Tangible non-produced assets not elsewhere classified (NFAC 319)

A1A.332 *Tangible non-produced assets not elsewhere classified* (NFAC 319) consists of tangible non-produced assets that cannot be classified to *land* (NFAC 311), *mineral and energy resources* (NFAC 312), *non-cultivated biological resources* (NFAC 313), *water resources* (NFAC 314) or *radio spectra* (NFAC 315).

Intangible non-produced assets (NFAC 32)

A1A.333 *Intangible non-produced assets* (NFAC 32) are assets that are constructs of society evidenced by legal or accounting actions. Such assets entitle their owners to engage in certain specific activities or to produce certain specific goods or services and to exclude other units from doing so except with the permission of the owner. The owners of the assets may be able to earn monopoly profits by restricting the use of the assets to themselves. This category is further classified into:

- *marketable operating leases* (NFAC 321);
- *permits to use natural resources* (NFAC 322);
- *permits to undertake specific activities* (NFAC 323);
- *entitlements to future goods and services on an exclusive basis* (NFAC 324);
- *goodwill and marketing assets* (NFAC 325); and
- *intangible non-produced assets not elsewhere classified* (NFAC 329).

Marketable operating leases (NFAC 321)

A1A.334 *Marketable operating leases* (NFAC 321) consists of third-party property rights relating to fixed assets. The lease confers economic benefits to the holder in excess of the fees payable, and the holder can realise these benefits legally and practically, through transferring them. For example, where a tenant of a building has a fixed rental but the building could fetch a higher rental in the absence of the lease. If, in these circumstances, the tenant is able both legally and practically to sublet the building, then the tenant has an asset of the type of a marketable operating lease.

Permits to use natural resources (NFAC 322)

A1A.335 *Permits to use natural resources* (NFAC 322) consists of third-party property rights relating to natural resources. For example, where an institutional unit holds a fishing quota and is able, both legally and practically, to sell this to another unit.

Permits to undertake specific activities (NFAC 323)

A1A.336 *Permits to undertake specific activities* (NFAC 323) consists of permits that are limited in number and so allow the holder to earn monopoly profits where the monopoly profits do not come from the use of an asset belonging to the permit-issuer and the permit holder is able both legally and practically to sell the permit to a third party.

Includes: Taxi licences, casino licences.

Entitlement to future goods and services on an exclusive basis (NFAC 324)

A1A.337 *Entitlement to future goods and services on an exclusive basis* (NFAC 324) consists of the case where one party which has contracted to purchase goods or services at a fixed price at a time in the future is able to transfer the obligation of the second party to the contract, to a third party.

Includes: Footballers' contracts; a publisher's exclusive right to publish new works by a named author; the right to issue recordings by named musicians.

Goodwill and marketing assets (NFAC 325)

A1A.338 *Goodwill and marketing assets* (NFAC 325) consists of goodwill and marketing assets. Goodwill is the excess that potential purchasers of an enterprise are often prepared to pay above the net value of the enterprise's individually identified and valued assets and liabilities. It reflects the value of corporate structures and the value to the business of an assembled workforce and management, corporate culture, distribution networks and customer base. Goodwill cannot be separately identified and sold to another party. Marketing assets are items such as brand names, mastheads, trademarks, logos and domain names.

Intangible non-produced assets not elsewhere classified (NFAC 329)

A1A.339 *Intangible non-produced assets not elsewhere classified* (NFAC 329) consists of intangible non-produced assets that cannot be classified to marketable operating leases (NFAC 321), permits to use natural resources (NFAC 322), permits to undertake specific activities (NFAC 323), entitlements to future goods and services on an exclusive basis (NFAC 324) or goodwill and marketing assets (NFAC 325).

Other non-produced assets (NFAC 33)

A1A.340 *Other non-produced assets* (NFAC 33) is further classified into:

- other non-produced assets not elsewhere classified (NFAC 339).

Other non-produced assets not elsewhere classified (NFAC 339)

A1A.341 *Other non-produced assets not elsewhere classified* (NFAC 339) consists of non-financial non-produced assets that cannot be classified to *tangible non-produced assets* (NFAC 31) or *intangible non-produced assets* (NFAC 32).

TAXES CLASSIFICATION

A1A.342 The taxes classification (TC) is a classification used for the identification of taxation revenue by type of tax, and is used for output purposes in the Australian GFS. The structure of the TC is hierarchical, and consists of a 2-digit level (major group) and a 3-digit level (subgroup). The major group reflects the different types of taxes at the broad level, and the subgroup details the taxes that comprise the major group. Further information on the TC may be found in Chapter 6 of this manual. The major group level of the TC are shown in Table A1A.16 below:

Table A1A.16 - Taxes Classification (TC)

TC	Descriptor
1	**Taxes on income, profits and capital gains**
11	Income and capital gains taxes levied on individuals
111	Personal income tax
112	Government health insurance levy
113	Mining withholding tax
114	Capital gains tax on individuals
115	Prescribed payments by individuals
116	Fringe benefits tax (FBT)
119	Income and capital gains taxes levied on individuals not elsewhere classified
12	Income and capital gains taxes levied on enterprises
121	Company income tax
122	Income tax paid by superannuation funds
123	Capital gains taxes on enterprises
124	Prescribed payments by enterprises
129	Income and capital gains taxes levied on enterprises not elsewhere classified
13	Income taxes levied on non-residents
131	Dividend withholding tax
132	Interest withholding tax
139	Income taxes levied on non-residents not elsewhere classified
2	**Taxes on employers' payroll and labour force**

21	Taxes on employers' payroll and labour force
211	Payroll taxes
212	Superannuation guarantee charge
219	Taxes on employers' payroll and labour force not elsewhere classified
3	**Taxes on property**
31	Taxes on immovable property
311	Land taxes
312	Municipal rates
313	Metropolitan improvement rates
314	Property owners' contributions to fire brigades
319	Taxes on immovable property not elsewhere classified
32	state, inheritance and gift taxes
321	Estate, inheritance and gift taxes
4	**Taxes on provision of goods and services**
41	General taxes on provision of goods and services
411	Sales tax
412	Goods and services tax (GST)
42	Excises
421	Excises on crude oil, LPG and petroleum products
422	Excises on beer and potable spirits
423	Excises on tobacco products
424	Excise Act duties not elsewhere classified and refunds of Excise Act duties
425	Agriculture production taxes
426	Levies on statutory corporations
429	Excises not elsewhere classified
43	Taxes on international trade
431	Customs duties on imports
432	Customs duties on exports
433	Agricultural produce export taxes
439	Taxes on international trade not elsewhere classified
44	Taxes on gambling
441	Taxes on government lotteries
442	Taxes on private lotteries
443	Taxes on gambling devices
444	Casino taxes
445	Race and other sports betting taxes
449	Taxes on gambling not elsewhere classified
45	Taxes on insurance
451	Insurance companies' contributions to fire brigades
452	Third party insurance taxes
459	Taxes on insurance not elsewhere classified
46	Taxes on financial and capital transactions
461	Financial institutions transactions taxes
462	Government borrowing guarantee levies
463	Stamp duties on conveyances

464	Stamp duty on shares and marketable securities
465	Other stamp duties on financial and capital transactions
469	Taxes on financial and capital transactions not elsewhere classified
5	**Taxes on the use of goods and performance of activities**
51	Motor vehicle taxes
511	Stamp duty on vehicle registration
512	Road transport and maintenance taxes
513	Heavy vehicle registration fees and taxes
514	Other vehicle registration fees and taxes
519	Motor vehicle taxes not elsewhere classified
52	Franchise taxes
521	Gas franchise taxes
522	Petroleum products franchise taxes
523	Tobacco franchise taxes
524	Liquor franchise taxes
529	Franchise taxes not elsewhere classified
53	Other taxes on the use of goods and performance of activities
531	Broadcasting station licences
532	Television station licences
533	Departure tax
534	Clean energy and related taxes
535	Taxes on the use of goods and performance of activities levied on non-residents
539	Other taxes on the use of goods and performance of activities not elsewhere classified

Taxes on income, profits and capital gains (TC 1)

A1A.343 *Taxes on income, profits and capital gains* (TC 1) is further classified into:

- *income and capital gains taxes levied on individuals* (TC 11);
- *income and capital gains taxes levied on enterprises* (TC 12); and
- *income taxes levied on non-residents* (TC 13).

Income and capital gains taxes levied on individuals (TC 11)

A1A.344 *Income and capital gains taxes levied on individuals* (TC 11) consists of taxes levied on the net income of, and capital gains made by, resident households, individual proprietorships and partnerships. This category is further classified into:

- *personal income tax* (TC 111);
- *government health insurance levy* (TC 112);
- *mining withholding tax* (TC 113);
- *capital gains tax on individuals* (TC 114);
- *prescribed payments by individuals* (TC 115);
- *fringe benefits tax* (TC 116); and
- *income and capital gains taxes levied on individuals not elsewhere classified* (TC 119).

Personal income tax (TC 111)

A1A.345 *Personal income tax* (TC 111) consists of taxes levied on the net income or profits (that is, gross income minus allowable tax deductions) of individuals. Such taxes are usually levied on the total declared or presumed income from all sources of the person concerned including compensation of employees (such as wages, salaries, tips, fees, commissions and fringe benefits), property income (such as interest, dividends, rent and royalty incomes) and pensions (such as taxable portions of social security, pension, annuity, life insurance and other retirement benefit distributions) after deducting certain allowances in accordance with tax laws.

Includes: Personal income tax deducted by employers; taxes on the income of the owners of unincorporated enterprises; income taxes on the income of family estates and trusts where the beneficiaries are individuals.

Government health insurance levy (TC 112)

A1A.346 *Government health insurance levy* (TC 112) consists of a tax on the income of taxpayers who do not have other health insurance cover, to finance the payment of Commonwealth medical and hospital benefits (Medibank in operation during the period 1 October 1976 to 1 November 1978, Medicare from 1 February 1984).

Mining withholding tax (TC 113)

A1A.347 *Mining withholding tax* (TC 113) consists of income tax on royalty payments made after 30 June 1979 to Aboriginal people and Aboriginal groups and bodies, in respect of mining and exploration activities on Aboriginal land. Whilst the liability for the tax rests with the Aboriginal people, the tax payable is deducted from the mining royalty payments and paid directly by the mining companies involved.

Capital gains tax on individuals (TC 114)

A1A.348 *Capital gains tax on individuals* (TC 114) consists of taxes levied on capital gains made by resident households, individual proprietorships and partnerships. They are usually payable on nominal, rather than real, capital gains and on realised, rather than unrealised, capital gains.

Prescribed payments by individuals (TC 115)

A1A.349 *Prescribed payments by individuals* (TC 115) consists of taxes collected from individuals by the Commonwealth under the Prescribed Payments System (PPS). The PPS was an income tax collection system that applied to certain industries. Under the PPS, employers were obliged to deduct specific amounts of tax from payments made to sub-contractors. The PPS was incorporated into the Pay-as-you-go taxation system which was introduced in July 2000.

Fringe benefits tax (TC 116)

A1A.350 *Fringe benefits tax* (TC 116) consists of taxes collected from employers in relation to fringe benefits accruing to employees.

Income and capital gains taxes levied on individuals not elsewhere classified (TC 119)

A1A.351 *Income and capital gains taxes levied on individuals not elsewhere classified* (TC 119) consists of income taxes levied on individuals other than personal income tax, the government health insurance levy, mining withholding tax, capital gains tax, prescribed payments by individuals and fringe benefits tax.

Includes: Taxes on winnings from lotteries or gambling; amounts collected from non-custodial parents under child support legislation.

Income and capital gains taxes levied on enterprises (TC 12)

A1A.352 *Income and capital gains taxes levied on enterprises* (TC 12) consists of taxes levied on the net profits and capital gains made by resident trading and financial enterprises. This category is further classified into:

- *company income tax* (TC 121);
- *income tax paid by superannuation funds* (TC 122);
- *capital gains taxes on enterprises* (TC 123);
- *prescribed payments by enterprises* (TC 124);

- *income and capital gains taxes levied on enterprises not elsewhere classified* (TC 129).

Excludes: Taxes assessed on gross sales or turnover.

Company income tax (TC 121)

A1A.353 *Company income tax* (TC 121) consists of taxes levied on the net income or profits (that is, gross income minus allowable tax deductions) of trading and financial enterprises.

Includes: Mineral Resource Rent Tax; Petroleum Resource Rent Tax.

Income tax paid by superannuation funds (TC 122)

A1A.354 *Income tax paid by superannuation funds* (TC 122) consists of taxes levied on the profits made by superannuation funds. The tax varies according to the portfolio mix chosen by the fund. Superannuation funds investing in government securities are subject to lower tax assessment and may be exempt under certain circumstances.

Capital gains taxes on enterprises (TC 123)

A1A.355 *Capital gains taxes on enterprises* (TC 123) consists of taxes levied on capital gains which form part of the taxable income of trading and financial enterprises. They are usually payable on nominal, rather than real, capital gains and on realised, rather than unrealised, capital gains.

Prescribed payments by enterprises (TC 124)

A1A.356 *Prescribed payments by enterprises* (TC 124) consists of taxes collected from enterprises by the Commonwealth under the Prescribed Payments System (PPS). The PPS was an income tax collection system that applied to certain industries. Under the PPS, employers were obliged to deduct specific amounts of tax from payments made to sub-contractors. The PPS was incorporated into the Pay-as-you-go taxation system which was introduced in July 2000.

Income and capital gains taxes levied on enterprises not elsewhere classified (TC 129)

A1A.357 *Income and capital gains taxes levied on enterprises not elsewhere classified* (TC 129) consists of income and capital gains taxes levied on enterprises that cannot be classified to company income tax (TC 121), income tax paid by superannuation funds (TC 122), capital gains taxes on enterprises (TC 123) or prescribed payments by enterprises (TC 124).

Income taxes levied on non-residents (TC 13)

A1A.358 *Income taxes levied on non-residents* (TC 13) consists of taxes specifically levied on non-residents (either individuals or corporations) on income derived in Australia. This category is further classified into:

- *dividend withholding tax* (TC 131);
- *interest withholding tax* (TC 132); and
- *income taxes levied on non-residents not elsewhere classified* (TC 139).

Dividend withholding tax (TC 131)

A1A.359 *Dividend withholding tax* (TC 131) consists of taxation payments by companies levied on dividends accruing to non-residents of Australia.

Interest withholding tax (TC 132)

A1A.360 *Interest withholding tax* (TC 132) consists of taxation payments by companies levied on interest accruing to non-residents of Australia.

Income taxes levied on non-residents not elsewhere classified (TC 139)

A1A.361 *Income taxes levied on non-residents not elsewhere classified* (TC 139) consists of income taxes levied on non-residents other than dividend and interest withholding taxes.

Excludes: Withholding tax on royalties (classified to taxes on the use of goods and performance of activities levied on non-residents (TC 536)).

Taxes on employers' payroll and labour force (TC 2)

A1A.362 *Taxes on employers' payroll and labour force* (TC 2) consists of taxes payable by enterprises assessed either as a proportion of the wages and salaries paid or as a fixed amount per person employed. This category is further classified into:

- *taxes on employers' payroll and labour force* (TC 21).

Taxes on employers' payroll and labour force (TC 21)

A1A.363 *Taxes on employers' payroll and labour force* (TC 21) is further classified into:

- *payroll taxes* (TC 211);
- *superannuation guarantee charge* (TC 212); and
- *taxes on employers' payroll and labour force not elsewhere classified* (TC 219).

Excludes: Payments earmarked for social security schemes (not applicable in Australia); taxes paid by employees themselves out of their wages or salaries (classified to the appropriate category within *income and capital gains taxes levied on individuals* (TC 11)).

Payroll taxes (TC 211)

A1A.364 *Payroll taxes* (TC 211) consists of payroll taxes levied on a broad range of industries.

Superannuation guarantee charge (TC 212)

A1A.365 *Superannuation guarantee charge* (TC 212) consists of charges paid by employers under the Superannuation Guarantee Charge Act 1992.

Taxes on employers' payroll and labour force not elsewhere classified (TC 219)

A1A.366 *Taxes on employers' payroll and labour force not elsewhere classified* (TC 219) consists of taxes on employers' payroll and labour force that cannot be classified to *payroll taxes* (TC 211) or *superannuation guarantee charge* (TC 212).

Includes: Stevedoring industry charges.

Taxes on property (TC 3)

A1A.367 *Taxes on property* (TC 3) consists of taxes payable on the use, ownership or transfer of wealth. These comprise *taxes on immovable property* (TC 31), and *estate, inheritance and gift taxes* (TC 32).

Taxes on immovable property (TC 31)

A1A.368 *Taxes on immovable property* (TC 31) consists of taxes levied regularly on the use or ownership of immovable property, which includes land, buildings and other structures. These taxes may be levied on proprietors, tenants or both. The tax is usually calculated as a percentage of an assessed property value that is based on a notional rental income, sales price, capitalised yield or other characteristics such as size or location. This category is further classified into:

- *land taxes* (TC 311);
- *municipal rates* (TC 312);
- *metropolitan improvement rates* (TC 313);
- *property owner's contributions to fire brigades* (TC 314); and
- *taxes on immovable property not elsewhere classified* (TC 319).

Land taxes (TC 311)

A1A.369 *Land taxes* (TC 311) consists of taxes on the ownership of land based on the assessed value of the land.

Municipal rates (TC 312)

A1A.370 *Municipal rates* (TC 312) consists of levies imposed by local government authorities on the assessed value of property for the purpose of financing the provision of ordinary local services.

Excludes: Amounts collected with municipal rates but identified as charges for direct supply of goods and services such as water and sewerage rates and garbage charges.

Metropolitan improvement rates (TC 313)

A1A.371 *Metropolitan improvement rates* (TC 313) consists of levies on property owners intended specifically for financing the planning and development of land within the metropolitan region.

Includes: Levies used for the acquisition of land for the development of metropolitan parks; support of regional studies; financing open space improvements.

Property owners' contributions to fire brigades (TC 314)

A1A.372 *Property owners' contributions to fire brigades* (TC 314) consists of levies imposed on property owners to contribute to financing fire protection services.

Taxes on immovable property not elsewhere classified (TC 319)

A1A.372 *Taxes on immovable property not elsewhere classified* (TC 319) consists of other taxes on owners or users of immovable property that cannot be classified to *land taxes* (TC 311), *municipal rates* (TC 312), *metropolitan improvement rates* (TC 313) or *property owner's contributions to fire brigades* (TC 314).

Includes: Taxes usually collected to finance specific services such as control of vermin or noxious weeds.

Excludes: Charges for direct supply of goods and services such as water and sewerage rates.

Estate, inheritance and gift taxes (TC 32)

A1A.373 Estate, inheritance and gift taxes (TC 32) consists of taxes on transfers of property at death and on gifts. This category comprises *estate, inheritance and gift taxes* (TC 321).

Estate, inheritance and gift taxes (TC 321)

A1A.374 *Estate, inheritance and gift taxes* (TC 32) consists of taxes on transfers of property at death and on gifts, including gifts made between living members of the same family to avoid or minimise the payment of inheritance taxes.

Includes: Estate taxes; inheritance taxes.

Taxes on provision of goods and services (TC 4)

A1A.375 *Taxes on provision of goods and services* (TC 4) consists of taxes that become payable as a result of the production, sale, transfer, leasing or delivery of goods and rendering of services, or as a result of their use for own consumption or own capital formation. This category is further classified into:

- *general taxes on provision of goods and services* (TC 41);
- *excises* (TC 42);
- *taxes on international trade* (TC 43);
- *taxes on gambling* (TC 44);
- *taxes on insurance* (TC 45); and
- *taxes on financial and capital transactions* (TC 46).

Excludes: Taxes levied on the use of goods or on permission to use goods or to perform activities (classified to *taxes on the use of goods and performance of activities* (TC 5)).

General taxes on provision of goods and services (TC 41)

A1A.376 *General taxes on provision of goods and services* (TC 41)consists of taxes levied at manufacturer/production, wholesale or retail level. It includes single stage taxes and cumulative multistage taxes, where "stage" refers to a stage of production or distribution. This category is further classified into:

- *sales tax* (TC 411); and
- *goods and services tax* (GST) (TC 412).

Excludes: Taxes levied on international trade and transactions (classified to *taxes on international trade* (TC 43)).

Sales tax (TC 411)

A1A.377 *Sales tax* (TC 411) consists of all general taxes levied on sales at one stage only, whether at manufacturing or production stages or on wholesale or retail trade. *Please note that this classification item has been superseded since 1 July 2000 by goods and services tax (GST) (TC 412) but remains part of the GFS classifications in order to maintain the time series.* In Australia, sales tax was a single stage tax designed substantially to fall on sales by manufacturers and wholesalers to retailers. The sales tax applied to goods only and not to services. Second hand goods that were used in Australia were not ordinarily taxed, but imported goods that had been used overseas were normally taxable in a similar fashion to new goods. Although termed a sales tax, the levy was not limited to sales only. Where goods had not already borne tax, it would (for example) fall on the leases of those goods or on the application of those goods to a taxpayer's own use. It may have also been levied on importation of goods where they were not imported for sale by wholesalers, e.g. where they were imported by retailers or consumers. The tax was payable on what was termed a 'sale value' which was equivalent to a fair wholesale price.

Excludes: Taxes levied on international trade and transactions (classified to *taxes on international trade* (TC 43)).

Goods and services tax (GST) (TC 412)

A1A.378 *Goods and services tax (GST)* (TC 412) consists of the GST which is a broad based tax on the supply of goods and services at virtually all stages of production and distribution, but which is ultimately charged in full to the final purchaser. The GST commenced from 1 July 2000. The GST is described as a deductible tax because producers are not usually required to pay the government the full amount of the tax they invoice to their customers, as they are permitted to deduct the amount of tax they have been invoiced on their own purchases of goods and services intended for intermediate consumption or fixed capital formation.

Includes: GST revenue receivable by the Commonwealth Government gross of the cost of collection but net of input tax credits payable.

Excises (TC 42)

A1A.379 *Excises* (TC 42) consists of taxes levied as a product specific unit tax on a predefined limited range of goods. Excises may be imposed at any stage of production or distribution and are usually assessed as a specific charge per unit based on characteristics by reference to the value, weight, strength or quantity of the product. Excises are not limited to those taxes collected under *Excise Acts* and include taxes on water, electricity, gas, energy and agricultural production. If a tax collected principally on imported goods also applies, or would apply, under the same law to comparable domestically produced goods, then the revenue from this tax is classified as arising from excises rather than from import duties. This principle applies even if there is no comparable domestic production or no possibility of such production. This category is further classified into:

- *excises on crude oil, LPG and petroleum products* (TC 421);
- *excises on beer and potable spirits* (TC 422);
- *excises on tobacco products* (TC 423);
- *Excise Act duties not elsewhere classified and refunds of Excise Act duties* (TC 424);
- *agricultural production taxes* (TC 425);
- *levies on statutory corporations* (TC 426); and

- *excises not elsewhere classified* (TC 429).

Excludes: Taxes levied exclusively on the importation of goods (classified to customs duties on imports (TC 431)).

Excises on crude oil, LPG and petroleum products (TC 421)

A1A.380 *Excises on crude oil, LPG and petroleum products* (TC 421) consists of excises levied on the production of crude oil and naturally occurring LPG from Australian fields. The levy varies depending on volume and quality of the crude oil and the date the field came into production. It also consists of excises levied on petroleum products.

Includes: Duties collected under the *Excise Act*; diesel fuel oil tax.

Excises on beer and potable spirits (TC 422)

A1A.381 *Excises on beer and potable spirits* (TC 422) consists of *Excise Act* duties levied on beer and potable spirits.

Excises on tobacco products (TC 423)

A1A.382 *Excises on tobacco products* (TC 423) consists of *Excise Act* duties levied on tobacco products.

Excise Act duties not elsewhere classified and refunds of Excise Act duties (TC 424)

A1A.383 *Excise Act duties not elsewhere classified and refunds of Excise Act duties* (TC 424) consists of Excise Act duties that cannot be classified to excises on crude oil, LPG and petroleum products (TC 421), excises on beer and potable spirits (TC 422) or excises on tobacco products (TC 423) and all refunds under the Excise Act.

Agricultural production taxes (TC 425)

A1A.384 *Agricultural production taxes* (TC 425) consists of levies raised on specified agricultural products usually assessed by reference to weight or quantity. Liability may be assessed at any stage of processing or distribution.

Includes: Taxes levied on wool, dairy products, poultry, cattle, sheep, wheat and wine grapes.

Levies on statutory corporations (TC 426)

A1A.385 *Levies on statutory corporations* (TC 426) consists of contributions which are required under legislation to be paid by specified statutory corporations to State / territory governments. The taxes are a fixed proportion of the revenue earned by statutory corporations.

Excludes: Taxes assessed on amounts equivalent to net profits and capital gains by State and Territory governments (classified to *dividend income* (ETF 1132, SDC)).

Excises not elsewhere classified (TC 429)

A1A.386 *Excises not elsewhere classified* (TC 429) consists of excises that cannot be classified to Excise Act duties not elsewhere classified and refunds of Excise Act duties (TC 424), agricultural production taxes (TC 425) or levies on statutory corporations (TC 426).

Taxes on international trade (TC 43)

A1A.387 *Taxes on international trade* (TC 43) consists of taxes that become payable when goods cross the national or customs frontiers of the economic territory, or when transactions in services exchange between residents and non-residents. This category is further classified into:

- *customs duties on imports* (TC 431);
- *customs duties on exports* (TC 432);
- *agricultural produce export taxes* (TC 433); and
- *taxes on international trade not elsewhere classified* (TC 439).

Customs duties on imports (TC 431)

A1A.388 *Customs duties on imports* (TC 431) consists of all levies and duties payable on goods of a particular kind because they are entering the country or services because they are delivered by non-residents to residents. The duties may be determined on a specific or ad valorem basis but they must be restricted by law to imported products. The various charges and exemptions which apply are based on country of origin, type of goods and value or quantity of goods.

Includes: Duties levied under the customs tariff schedule and its annexes; surtaxes that are based on the customs tariff schedule; consular fees; tonnage charges; statistical taxes; fiscal duties; surtaxes not based on the customs tariff schedule.

Excludes: Taxes collected on imports as part of a general tax on goods (classified to *goods and services tax (GST)* (TC 412)); excises applicable to both imported and domestically produced goods (classified to the appropriate category within *excises* (TC 42)).

Customs duties on exports (TC 432)

A1A.389 *Customs duties on exports* (TC 432) consists of levies that become payable on goods that are transported out of the country or services that are provided to non-residents by residents.

Excludes: Agricultural produce export taxes (classified to *agricultural produce export taxes* (TC 433)).

Agricultural produce export taxes (TC 433)

A1A.390 *Agricultural produce export taxes* (TC 433) consists of taxes payable on specified agricultural produce exported from Australia. The tax rate is usually based on the quantity of products exported.

Taxes on international trade not elsewhere classified (TC 439)

A1A.391 *Taxes on international trade not elsewhere* classified (TC 439) consists of taxes on international trade that cannot be classified to customs duties on imports (TC 431), customs duties on exports (TC 432) or agricultural produce export taxes (TC 433).

Taxes on gambling (TC 44)

A1A.392 *Taxes on gambling* (TC 44) consists of taxes levied on gambling and betting stakes. These taxes may be collected either from the gambler as a percentage of his/her stake or from entities providing the gambling service either as a licence fee or percentage of their gross income from gambling. This category is further classified into:

- *taxes on government lotteries* (TC 441);
- *taxes on private lotteries* (TC 442);
- *taxes on gambling devices* (TC 443);
- *casino taxes* (TC 444);
- *race and other sports betting taxes* (TC 445); and
- *taxes on gambling not elsewhere classified* (TC 449).

Includes: Taxes on lottery tickets, poker machines, casinos, racing and football pools.

Excludes: Taxes on individual gains from gambling.

Taxes on government lotteries (TC 441)

A1A.393 *Taxes on government lotteries* (TC 441) consists of taxes on the profits of lotteries, "lotto" games, etc. organised by the government.

Excludes: Revenue share of privately organised lotteries.

Taxes on private lotteries (TC 442)

A1A.394 *Taxes on private lotteries* (TC 442) consists of stamp duties levied on, licences for and share of gross revenue of privately organised lotteries, 'lotto' games, football pools, etc.

Taxes on gambling devices (TC 443)

A1A.395 *Taxes on gambling devices* (TC 443) consists of taxes and licences imposed on clubs for the operation of poker machines and other gambling devices. The licence fee may be assessed as a percentage of gross profits generated by the club's poker machines or as a fixed rate that is dependent on the number and classes of machines operated by the club. These imposts are regarded as taxes (not fees from regulatory services) because of the substantial revenue they generate. A club may be granted a refund in proportion to its expenditure on community welfare.

Excludes: Revenue raised from the issue of bingo permits (classified to *taxes on gambling not elsewhere classified* (TC 449)).

Casino taxes (TC 444)

A1A.396 *Casino taxes* (TC 444) consists of licence fees and taxes levied on the holders of casino licences. Taxes and licence fees may be assessed as a proportion of gross profit or according to a fixed rate. The fees are deemed to be taxes, (not fees from regulatory services) because of the substantial revenue they generate.

Race and other sports betting taxes (TC 445)

A1A.397 *Race and other sports betting taxes* (TC 445) consists of taxes levied on all forms of racing and other sports.

Includes: On-course and off-course betting; stamp duty on betting instruments; bookmakers' licences and registration fees; taxes on gross revenue of bookmakers.

Taxes on gambling not elsewhere classified (TC 449)

A1A.398 *Taxes on gambling not elsewhere classified* (TC 449)consists of taxes levied on forms of gambling that cannot be classified to taxes on government lotteries (TC 441), taxes on private lotteries (TC 442), taxes on gambling devices (TC 443), casino taxes (TC 444) or race and other sports betting taxes (TC 445).

Includes: Revenue raised from the issue of bingo permits.

Taxes on insurance (TC 45)

A1A.399 *Taxes on insurance* (TC 45) consists of taxes levied specifically on insurance companies. This category is further classified into:

- *insurance companies' contributions to fire brigades* (TC 451);
- *third party insurance taxes* (TC 452); and
- *taxes on insurance not elsewhere classified* (TC 459).

Includes: Taxes levied on insurance premiums; contributions collected to finance services which reduce insurable risk.

Insurance companies' contributions to fire brigades (TC 451)

A1A.400 *Insurance companies' contributions to fire brigades* (TC 451) consists of levies imposed on insurance companies to contribute to financing fire-fighting protection services.

Third party insurance taxes (TC 452)

A1A.401 *Third party insurance taxes* (TC 452) consists of surcharges and stamp duties on third party insurance premiums.

Taxes on insurance not elsewhere classified (TC 459)

A1A.402 *Taxes on insurance not elsewhere classified* (TC 459) consists of taxes on insurance that cannot be classified to insurance companies' contributions to fire brigades (TC 451) or third party insurance taxes (TC 452).

Includes: Stamp duties on insurance (other than third party insurance); contributions of insurance companies to Workers Compensation Board Funds and Casual Fire Fighters Compensation Funds.

Taxes on financial and capital transactions (TC 46)

A1A.403 *Taxes on financial and capital transactions* (TC 46) consists of taxes levied on the change in ownership of property, except those classified as gifts, inheritance or estate transactions. This category is further classified into:

- *financial institutions transactions taxes* (TC 461);
- *government borrowing guarantee levies* (TC 462);
- *stamp duties on conveyances* (TC 463);
- *stamp duty on shares and marketable securities* (TC 464);
- *other stamp duties on financial and capital transactions* (TC 465); and
- *taxes on financial and capital transactions not elsewhere classified* (TC 469).

Includes: Taxes levied on the purchase and sale of non-financial or financial assets including foreign exchange or securities; taxes on cheques; taxes levied on specific legal transactions such as validation of contracts and the sale of immovable property.

Excludes: Taxes on use of goods and performance of activities (classified to *taxes on the use of goods and performance of activities* (TC 5)); taxes on immovable property (classified to *taxes on immovable property* (TC 31)).

Financial institutions transactions taxes (TC 461)

A1A.404 *Financial institutions transactions taxes* (TC 461) consists of taxes on debits or credits to accounts with financial institutions.

Includes: State / territory government duties on credits to accounts held with financial institutions.

Excludes: Stamp duties on cheques (classified to *other stamp duties on financial and capital transactions* (TC 465)).

Government borrowing guarantee levies (462)

A1A.405 *Government borrowing guarantee levies* (462) consists of guarantee fees/charges levied on the borrowings of public authorities by government.

Stamp duties on conveyances (TC 463)

A1A.406 *Stamp duties on conveyances* (TC 463) consists of the revenue earned from stamp duty on conveyances and transfer of real estate, business and other property.

Excludes: Stamp duties on motor vehicle registration (classified to *stamp duty on vehicle registrations* (TC 512)); taxes on insurance (classified to *taxes on insurance* (TC 45)); taxes on gambling (classified to *taxes on gambling* (TC 44)).

Stamp duty on shares and marketable securities (TC 464)

A1A.407 *Stamp duty on shares and marketable securities* (TC 464) consists of the revenue earned from stamp duty on transfers of shares and marketable securities.

Excludes: Stamp duties on motor vehicle registration (classified to *stamp duty on vehicle registrations* (TC 512)); taxes on insurance (classified to *taxes on insurance* (TC 45)); taxes on gambling (classified to *taxes on gambling* (TC 44)).

Other stamp duties on financial and capital transactions (TC 465)

A1A.408 *Other stamp duties on financial and capital transactions* (TC 465) consists of the revenue earned from stamps affixed to or franked on documents which evidence financial and capital transactions.

Includes: Stamp duties on contracts, cheques, admission tickets and sales receipts.

Excludes: Stamp duties on conveyances (classified to *stamp duty on conveyances* (TC 463)); shares and marketable securities (classified to *stamp duty on shares and marketable securities* (TC 464)); motor vehicle registration (classified to *stamp duty on vehicle registration* (TC 512)); insurance (classified to *taxes on insurance* (TC 45)); gambling (classified to *taxes on gambling* (TC 44)).

Taxes on financial and capital transactions not elsewhere classified (TC 469)

A1A.409 *Taxes on financial and capital transactions not elsewhere classified* (TC 469) consists of taxes on financial and capital transactions that cannot be classified to financial institutions transactions taxes (TC 461), government borrowing guarantee levies (TC 462), stamp duties on conveyances (TC 463), stamp duty on shares and marketable securities (TC 464) or other stamp duties on financial and capital transactions (TC 465).

Taxes on the use of goods and performance of activities (TC 5)

A1A.410 *Taxes on the use of goods and performance of activities* (TC 5) consists of taxes levied for the issuance of a licence or permit that are not commensurate with the cost of the control function of government. This category is further classified into:

- *motor vehicle taxes* (TC 51);
- *franchise taxes* (TC 52); and
- *other taxes on use of goods and performance of activities* (TC 53).

Excludes: Taxes levied on the value or quantity of the goods themselves (classified to *taxes on provision of goods and services* (TC 4)).

Motor vehicle taxes (TC 51)

A1A.411 *Motor vehicle taxes* (TC 51) consists of taxes levied on the use of motor vehicles or permission to use motor vehicles, whether paid by households or enterprises. These levies are treated as taxes rather than regulatory fees because of the significant amount of revenue they generate. This category is further classified into:

- *stamp duty on vehicle registration* (TC 511);
- *road transport and maintenance taxes* (TC 512);
- *heavy vehicle registration fees and taxes* (TC 513);
- *other vehicle registration fees and taxes* (TC 514); and
- *motor vehicle taxes not elsewhere classified* (TC 519).

Excludes: Taxes on third party insurance (classified to TC 452 Third party insurance taxes); taxes on motor vehicles as property or net wealth; tolls for the use of roads, bridges and tunnels.

Stamp duty on vehicle registration (TC 511)

A1A.412 *Stamp duty on vehicle registration* (TC 511) consists of stamp duties imposed on motor vehicle registration and transfer.

Road transport and maintenance taxes (TC 512)

A1A.413 *Road transport and maintenance taxes* (TC 512) consists of taxes levied on the carriage of goods and passengers by road including taxes collected specifically for road maintenance. These taxes are often assessed on the basis of weight of vehicle using the road.

Heavy vehicle registration fees and taxes (TC 513)

A1A.414 *Heavy vehicle registration fees and taxes* (TC 513) consists of motor vehicle registration, transfer and number plate fees for vehicles with a gross vehicle mass greater than 4.5 tonnes.

Other vehicle registration fees and taxes (TC 514)

A1A.415 *Other vehicle registration fees and taxes* (TC 514) consists of motor vehicle registration, transfer and number plate fees for vehicles other than those with a gross vehicle mass greater than 4.5 tonnes.

Excludes: Heavy vehicle registration fees and taxes (classified to *heavy vehicle registration fees and taxes* (TC 515)).

Motor vehicle taxes not elsewhere classified (TC 519)

A1A.416 *Motor vehicle taxes not elsewhere classified* (TC 519) consists of motor vehicle taxes that cannot be classified to stamp duty on vehicle registration (TC 511), road transport and maintenance taxes (TC 512), heavy vehicle registration fees and taxes (TC 513) or other vehicle registration fees and taxes (TC 514).

Franchise taxes (TC 52)

A1A.417 *Franchise taxes* (TC 52) consists of taxes levied in respect of the permission to sell certain goods. This category is further classified into:

- *gas franchise taxes* (TC 521);
- *petroleum products franchise taxes* (TC 522);
- *tobacco franchise taxes* (TC 523);
- *liquor franchise taxes* (TC 524); and
- *franchise taxes not elsewhere classified* (TC 529).

Gas franchise taxes (TC 521)

A1A.418 *Gas franchise taxes* (TC 521) consists of licence fees levied on gas suppliers. The fee is assessed by reference to the supplier's previous gross receipts of gas retailed to the public.

Petroleum products franchise taxes (TC 522)

A1A.419 *Petroleum products franchise taxes* (TC 522) consists of licence fees paid by petroleum wholesalers and petroleum retailers to conduct their business. The tax may be assessed on the marked or prescribed value or volume of petroleum products sold.

Tobacco franchise taxes (TC 523)

A1A.420 *Tobacco franchise taxes* (TC 523) consists of fees collected from wholesale tobacco merchants and retail tobacconists for licences that people in the business of tobacco wholesaling or retailing are required to hold. The taxes are usually assessed on the basis of value sold.

Liquor franchise taxes (TC 524)

A1A.421 *Liquor franchise taxes* (TC 524) consists of fees collected for licences and permits to supply liquor. These taxes are levied on hotelkeepers, wholesale and retail liquor merchants and clubs. These fees are regarded as taxes, not fees from regulatory services, because of the substantial revenue they generate. The fees are usually assessed on the basis of volume and alcoholic content of sales. Some States offer an exemption or concession to encourage consumption of low alcohol liquor.

Includes: Permits for the supply of liquor with meals.

Franchise taxes not elsewhere classified (TC 529)

A1A.422 *Franchise taxes not elsewhere classified* (TC 529) consists of franchise taxes that cannot be classified to gas franchise taxes (TC 521), petroleum products franchise taxes (TC 522), tobacco franchise taxes (TC 523) or liquor franchise taxes (TC 524).

Other taxes on use of goods and performance of activities (TC 53)

A1A.423 *Other taxes on use of goods and performance of activities* (TC 53) consists of taxes on the use of goods or in respect of permission to use goods or perform activities that cannot be classified to *motor vehicle taxes* (TC 51) or *franchise taxes* (TC 52). This category is further classified into:

- *broadcasting station licences* (TC 531);
- *television station licences* (TC 532);
- *departure tax* (TC 533);
- *clean energy and related taxes* (TC 534);
- *taxes on the use of goods or performance of activities by non-residents* (TC 535); and
- *other taxes on the use of goods and performance of activities not elsewhere classified* (TC 539).

Includes: Permits to carry on a business which provides a service, such as broadcasting and television services; pollution taxes not based on the value of particular goods; taxes in respect of permission to perform an activity, such as departure tax.

Broadcasting station licences (TC 531)

A1A.424 *Broadcasting station licences* (TC 531) consists of fees for licences for commercial radio stations to transmit their service. The licence fees are classified as taxes (not fees from regulatory services) because of the substantial revenue they raise. The tax is assessed on gross earnings.

Television station licences (TC 532)

A1A.425 *Television station licences* (TC 532) consists of fees for licences for commercial television stations to transmit their service. The licence fees are classified as taxes (not fees from regulatory services) because of the substantial revenue they raise. The tax is assessed on gross earnings.

Departure tax (TC 533)

A1A.426 *Departure tax* (TC 533) consists of the levy imposed on all people leaving Australia.

Clean energy and related taxes (TC 534)

A1A.427 *Clean energy and related taxes* (TC 534) consists of taxes levied on greenhouse gas emissions.

Taxes on the use of goods and performance of activities levied on non-residents (TC 535)

A1A.428 *Taxes on the use of goods and performance of activities levied on non-residents* (TC 535) consists of taxes levied on the use of goods or performance of activities in Australia by non-residents.

Includes: Withholding tax on royalties; payments by non-residents for a licence or permit to conduct extraction operations on sub-soil assets.

Other taxes on the use of goods and performance of activities not elsewhere classified (TC 539)

A1A.429 *Other taxes on the use of goods and performance of activities not elsewhere classified* (TC 539) consists of other taxes levied on the use of goods or performance of activities that cannot be classified to *motor vehicle taxes* (TC 51), *franchise taxes* (TC 52); *broadcasting station licences* (TC 531), *television station licences* (TC 532), *departure tax* (TC 533), *clean energy and related taxes* (TC 534) or *taxes on the use of goods or performance of activities by non-residents* (TC 535).

Includes: Entertainment taxes.

APPENDIX 1 - PART B - SUPPLEMENTARY INFORMATION AND INTRA-UNIT TRANSFERS

PART A - INTRODUCTION

A1B.1 This appendix records the concepts and broad classification of other GFS input data items consisting of *supplementary information* (ETF 7) and *intra-unit transfers* (ETF 6). Intra-unit transfers are used exclusively by the ABS for balancing purposes in GFS. In this chapter, because *intra-unit transfers* (ETF 6) are used exclusively by the ABS, these will be discussed after the *supplementary information* (ETF 7), even though sequentially they appear before the *supplementary information* (ETF 7) in the ETF classification framework.

PART B - SUPPLEMENTARY INFORMATION

A1B.2 The purpose of the *supplementary information* (ETF 7) is to record additional data for international statistical reporting purposes and national accounting purposes. The following paragraphs describe the GFS *supplementary information* (ETF 7) and the elements contained within it. In Australian GFS, supplementary information is further classified as:

- *Memorandum items* (ETF 71);
- *Contingent liabilities* (ETF 72);
- *Provisions for doubtful debts* (ETF 73);
- *Debt maturity* (ETF 74);
- *Salary sacrifice expenses* (ETF 75); and
- *Own-account capital formation* (ETF 76).

PART C - THE CLASSIFICATION OF THE GFS SUPPLEMENTARY INFORMATION (ETF 7)

A1B.3 The supplementary information forms part of the economic type framework (ETF) in the ABS GFS, and appears as a hierarchical classification with additional classification codes required for output purposes. The detailed classification of *supplementary information* (ETF 7) may be found in Table A1B.1 below, and the detailed descriptions of each element are found in the following paragraphs.

Table A1B.1 - The detailed classification of supplementary information

Descriptor	Classification codes
Supplementary information	**ETF 7**
Memorandum items	**ETF 71**
Implicit transfers	**ETF 711**
Implicit transfers receivable from concessional loans	ETF 7111
Implicit transfers payable due to concessional loans	ETF 7112
Liabilities in arrears and related charges	**ETF 712**
Total arrears	ETF 7121
Interest on arrears	ETF 7122
Non-performing loans	**ETF 713**
Non-performing loans at market value	ETF 7131
Contingent liabilities	**ETF 72**
Explicit contingent liabilities	**ETF 721**
Loan and other debt instrument guarantees	ETF 7211
Other one-off guarantees	ETF 7212
Legal claims	ETF 7213
Indemnities	ETF 7214

Uncalled share capital	ETF 7215
Explicit contingent liabilities not elsewhere classified	ETF 7219
Implicit contingent liabilities	**ETF 722**
Present value of implicit obligations for future social security benefits	ETF 7221
Implicit contingent liabilities not elsewhere classified	ETF 7229
Provisions for doubtful debts	**ETF 73**
Provisions for doubtful debts	**ETF 731**
Provisions for doubtful debts	ETF 7311 FALC SDC
Debt maturity	**ETF 74**
Debt by maturity at market value	**ETF 741**
Short-term debt by original maturity valued at market value	ETF 7411 FALC SDC
Long-term debt with payment due within one year or less valued at market value	ETF 7412 FALC SDC
Long-term debt with payment due in more than one year valued at market value	ETF 7413 FALC SDC
Salary sacrifice expenses	**ETF 75**
Salary sacrifice expenses	**ETF 751**
Salary sacrifice expenses - superannuation	ETF 7511 SDC
Salary sacrifice expenses not elsewhere classified	ETF 7519 SDC
Own-account capital formation	**ETF 76**
Own-account superannuation payments	**ETF 761**
Own-account employers' contributions - defined contribution superannuation	ETF 7611 NFAC COFOG-A
Own-account employers' contributions - defined benefit superannuation	ETF 7612 NFAC COFOG-A
Own-account imputed employers' contributions - defined benefit superannuation	ETF 7613 NFAC COFOG-A
Own-account employee payments other than superannuation	**ETF 762**
Own-account wages, salaries and supplements in cash	ETF 7621 NFAC COFOG-A
Own-account wages, salaries and supplements in kind	ETF 7622 NFAC COFOG-A
Own-account salary sacrifice payments - superannuation	ETF 7623 NFAC COFOG-A
Own-account salary sacrifice payments - items other than superannuation	ETF 7624 NFAC COFOG-A
Own-account Fringe Benefits Tax (FBT) payments	ETF 7625 NFAC COFOG-A
Own-account workers' compensation payments	ETF 7626 NFAC COFOG-A

Own-account employee payments not elsewhere classified	ETF 7629 NFAC COFOG-A
Own-account non-employee payments	**ETF 763**
Own-account use of goods and services	ETF 7631 NFAC COFOG-A
Own-account depreciation of fixed assets	ETF 7632 NFAC COFOG-A
Own-account taxes on production less other subsidies on production	ETF 7633 NFAC COFOG-A
Own-account non-employee payments not elsewhere classified	ETF 7639 NFAC COFOG-A

Memorandum items (ETF 71)

A1B.4 *Memorandum items* (ETF 71) are recorded in GFS to provide additional information about items related to (but not included on) the GFS balance sheet. Memorandum items in GFS differ to those of commercial accounting in that they are compulsory rather than optional as in commercial accounting. In the ABS GFS, memorandum items (ETF 71) are further classified as:

- *Implicit transfers* (ETF 711);
- *Liabilities in arrears and related charges* (ETF 712); and
- *Non-performing loans* (ETF 713).

Implicit transfers (ETF 711)

A1B.5 *Implicit transfers* (ETF 711) record the implied transfers arising through concessional lending arrangements. In the ABS GFS, *implicit transfers* (ETF 711) are further classified as:

- *Implicit transfers receivable from concessional loans* (ETF 7111); and
- *Implicit transfers payable due to concessional loans* (ETF 7112).

Implicit transfers receivable from concessional loans (ETF 7111)

A1B.6 *Implicit transfers receivable from concessional loans* (ETF 7111) records the value of implicit transfers receivable through concessional lending arrangements. The value of the implicit transfer is the difference between the current market value of the loan and the value of the concessional loan. Because the value of the concessional loan is lower than the market value, an implicit transfer is recorded as receivable by the recipient of a concessional loan in the *supplementary information* (ETF 7) of the GFS. Further information on concessional loans may be found in Chapter 3, Chapter 8, Chapter 9, Chapter 12 and Chapter 13 Part A of this manual.

Implicit transfers payable due to concessional loans (ETF 7112)

A1B.7 *Implicit transfers payable due to concessional loans* (ETF 7112) records the value of implicit transfers payable through concessional lending arrangements. The value of the implicit transfer is the difference between the current market value of the loan and the value of the concessional loan. Because the value of the concessional loan is lower than the market value, an implicit transfer is recorded as payable by the provider of a concessional loan in the supplementary information of the GFS. Further information on concessional loans may be found in Chapter 3, Chapter 8, Chapter 9, Chapter 12 and Chapter 13 Part A of this manual.

Liabilities in arrears and related charges (ETF 712)

A1B.8 Arrears are defined as amounts that are both unpaid and past the due date for payment. Paragraph 9.20 of the IMF GFSM 2014 indicates that amounts payable for any expense, acquisition of non-financial assets, or related to any liability may become in arrears if the amounts due are past payment. Only the amounts past due are classified as arrears in GFS. For example, in the case of overdue debt service payments, only the overdue part is considered to be in arrears.

A1B.9 Paragraph 9.21 of the IMF GFSM 2014 states that some types of financial assets and liabilities (most notably debt securities, loans, financial derivatives, and accounts receivable / payable), mature at a scheduled date (or series of dates) when the debtor is required to make specified payments to the creditor. If the payments are not made as scheduled, the debtor is seen to be effectively changing the terms of the debt contract (and sometimes even the classification) of a financial instrument. In this situation, the debtor is viewed as having effectively obtained additional financing by not making the scheduled payments.

A1B.10 In the ABS GFS, *liabilities in arrears and related charges* (ETF 712) are further classified as:

- *Total arrears* (ETF 7121); and
- *Interest on arrears* (ETF 7122).

Total arrears (ETF 7121)

A1B.11 *Total arrears* (ETF 7121) records the total sum of amounts that are both unpaid and past the due date for payment (also known as arrears) during the reference period. The value of total arrears should be recorded at the current market value of the arrears. When arrears occur, paragraph 9.21 of the IMF GFSM 2014 recommends that no transaction should be imputed, but the arrears should continue to be shown in the same instrument until the liability is extinguished and the details of the total amount of arrears should be recorded as a memorandum item to the GFS balance sheet under *total arrears* (ETF 7121). However, if the contract of a financial instrument provides for a change in the characteristics of a financial instrument should it go into arrears, then this change should be recorded as a reclassification via an *other changes in the volume of the financial assets* (ETF 5211, FALC) or *other changes in the volume of liabilities* (ETF 5213, FALC) account entry. See Chapter 11 of this manual for further information on other changes in the volume of assets and liabilities. If the contract of the financial instrument is renegotiated, or the nature of the instrument changes from one category to another (for example, from bonds to equity), then a new transaction is recorded in GFS accounts. It will involve recording the redemption of the financial instrument in arrears and the issuance of a new instrument.

Interest on arrears (ETF 7122)

A1B.12 *Interest on arrears* (ETF 7122) records any interest that accrues on arrears during the reporting period. Interest can accrue on liabilities in arrears (both principal and interest arrears) and is known as late interest in paragraph 9.22 of the IMF GFSM 2014. Late interest accrues at the same interest rate as on the original debt instrument, unless the interest rate for arrears was stipulated in the original debt contract, in which case the stipulated interest rate should be used. The stipulated rate may include a penalty rate in addition to the interest rate on the original debt. For other liabilities in arrears (in the absence of other information), interest costs accrue on these arrears at the market rate of interest for overnight borrowing.

A1B.13 Paragraph 9.22 of the IMF GFSM 2014 recommends that any additional charges relating to arrears (such as penalties) be classified as *interest on arrears* (ETF 7122) as a memorandum item to the GFS balance sheet at the time that the charges accrue. If an item is purchased on credit and the debtor fails to pay within the period stated at the time the purchase was made, any extra charges incurred should also be classified as *interest on arrears* (ETF 7122) as a memorandum item to the GFS balance sheet until the debt is extinguished.

Non-performing loans (ETF 713, and ETF 7131)

A1B.14 *Non-performing loans* (ETF 713, and ETF 7131) are defined in paragraph 7.262 of the IMF GFSM 2014 as loans for which:

(a) Payments of principal and interest are past due by three months (90 days) or more; or
(b) Interest payments equal to three months (90 days) interest or more have been capitalised (reinvested to the principal amount) or payment has been delayed by agreement; or

(c) Evidence exists to reclassify a loan as non-performing even in the absence of a 90-day past due payment, such as when the debtor files for bankruptcy.

A1B.15 Paragraph 7.262 of the IMF GFSM 2014 states that the amount of non-performing debt outstanding remains a legal liability of the debtor and interest should continue to accrue, unless the liability has been extinguished by repayment or as a result of a bilateral arrangement between debtor and creditor. As mentioned earlier in this chapter, loans are recorded at their current market value in Australian GFS.

Non-performing loans and market value (ETF 7131)

A1B.16 *Non-performing loans and market value* (ETF 7131) consist of the market value of loans for which payments of principal and interest are past due by three months (90 days) or more; or interest payments equal to three months (90 days) interest or more have been capitalised (reinvested to the principal amount) or payment has been delayed by agreement; or evidence exists to reclassify a loan as non-performing even in the absence of a 90-day past due payment, such as when the debtor files for bankruptcy. The current market value is equal to the required future payments of principal and contractual interest discounted at the existing market yield interest rate.

Contingent liabilities (ETF 72)

A1B.17 *Contingent liabilities* (ETF 72) are defined in paragraph 7.251 of the IMF GFSM 2014 as obligations that do not arise unless a particular, discrete event(s) occurs in the future. The key difference between contingent liabilities and actual liabilities is that one or more conditions must be fulfilled before a financial transaction is recorded. Contingent liabilities are not recognised as liabilities prior to their associated condition(s) being fulfilled. Contingent liabilities are further discussed in Chapter 13 Part C of this manual. In GFS, contingent liabilities are further classified as:

- *Explicit contingent liabilities* (ETF 721); and
- *Implicit contingent liabilities* (ETF 722).

Explicit contingent liabilities (ETF 721)

A1B.18 *Explicit contingent liabilities* (ETF 721) occur when there is a contractual agreement which explicitly states that one party (in this case, the government) agrees to assume the liability of another party if certain conditions arise. The most common form of explicit contingent liabilities are one-off guarantees in the form of loans and other debt instrument guarantees that are referred to as publicly guaranteed debt, and other types of one-off guarantees. Explicit contingent liabilities are not recorded in GFS unless the conditions associated with these are met. Further information on explicit contingent liabilities may be found in Chapter 13 Part C of this manual.

A1B.19 In the ABS GFS, *explicit contingent liabilities* (ETF 721) are further classified as:

- *Loan and other debt instrument guarantees* (ETF 7211);
- *Other one-off guarantees* (ETF 7212);
- *Legal claims* (ETF 7213);
- *Indemnities* (ETF 7214);
- *Uncalled share capital* (ETF 7215); and
- *Explicit contingent liabilities not elsewhere classified* (ETF 7219)

Loan and other debt instrument guarantees (ETF 7211)

A1B.20 *Loan and other debt instrument guarantees* (ETF 7211) consist of the value of loans and other debt instruments that are guaranteed under a contractual agreement which explicitly states that the government will assume these liabilities on behalf of another party if certain conditions arise.

Other one-off guarantees (ETF 7212)

A1B.21 *Other one-off guarantees* (ETF 7212) consist of the value of other one-off guarantees that are under a contractual agreement which explicitly states that a public sector unit will assume liabilities on behalf of another party if certain conditions arise.

Legal claims (ETF 7213)

A1B.22 *Legal claims* (ETF 7213) consist of the value of legal claims that are guaranteed under a contractual agreement which explicitly states that a public sector unit will assume liabilities on behalf of another party if certain conditions arise.

Indemnities (ETF 7214)

A1B.23 *Indemnities* (ETF 7214) consist of the value of indemnities that are guaranteed under a contractual agreement which explicitly states that a public sector unit will assume liabilities on behalf of another party if certain conditions arise.

Uncalled share capital (ETF 7215)

A1B.24 *Uncalled share capital* (ETF 7215) consists of the value of uncalled share capital that are guaranteed under a contractual agreement which explicitly states that a public sector unit will assume liabilities on behalf of another party if certain conditions arise.

Explicit contingent liabilities not elsewhere classified (ETF 7219)

A1B.25 *Explicit contingent liabilities not elsewhere classified* (ETF 7219) consist of the value of other explicit contingent liabilities that are guaranteed under a contractual agreement which explicitly states that a public sector unit will assume liabilities on behalf of another party if certain conditions arise.

Implicit contingent liabilities (ETF 722)

A1B.26 *Implicit contingent liabilities* (ETF 722) occur when it is assumed that one party (in this case, the government) will take on the liability of another. The most common form of implicit contingent liability for government is the assumption of the net obligations of future social security benefits for a population, such as age or disability pensions. Implicit contingent liabilities are not recorded in GFS unless the conditions associated with these are met (e.g. a person reaches an age where they are eligible to claim the age pension) and then the implicit contingent liability transforms into an actual liability and enters the GFS balance sheet. Until the time that the conditions associated with implicit contingent liability arise, the value of these are recorded as supplementary information. Further information on implicit contingent liabilities may be found in Chapter 13 Part C of this manual. In GFS, implicit contingent liabilities are further classified as:

- *Present value of implicit obligations for future social security benefits* (ETF 7221); and
- *Implicit contingent liabilities not elsewhere classified* (ETF 7229).

Present value of implicit obligations for future social security benefits (ETF 7221)

A1B.27 *Present value of implicit obligations for future social security benefits* (ETF 7221) consist of the present value of obligations for future social security benefits (other than employment-related retirement benefits) that are under an implicit guarantee by government to assume these liabilities on behalf of another party if certain conditions arise. In this context, social security benefits relate to the international GFS meaning of social security which does not exist in Australia. In Australia, the only type of social security benefits that involve a contractual liability for public sector units relate to employment related retirement benefits. Therefore in Australian GFS, the classification category of *present value of implicit obligations for future social security benefits* (ETF 7221) is maintained for conceptual completeness in alignment with the international standards and will report a zero balance.

Implicit contingent liabilities not elsewhere classified (ETF 7229)

A1B.28 *Other implicit contingent liabilities* (ETF 7229) consist of the value of contingent liabilities that are under an implicit guarantee by government to assume these liabilities on behalf of another party if certain conditions arise.

Provisions for doubtful debts (ETF 73, ETF 731, and ETF 7311)

A1B.29 *Provisions for doubtful debts* (ETF 73, ETF 731, and ETF 7311) consist of provisions for anticipated doubtful debts during the reporting period. Provisions for doubtful debts are not recognised in GFS, but are recorded in the AGFS15 as part of the supplementary information so that the ABS can derive the face value of financial assets and liabilities which is required for international statistical reporting. Provisions or allowances for doubtful debts are not included in GFS output and accounts receivable in the balance sheet is recorded gross of such provisions or allowances. Provisions for doubtful debts are further discussed in Chapter 13 Part A, and Appendix 1 Part B of this manual.

Debt Maturity (ETF 74)

A1B.30 The classification of debt instruments by maturity and type of financial instrument is recorded as part of supplementary information for international GFS statistical reporting purposes. Paragraph 7.266 of the IMF GFSM 2014 refers to the maturity of a debt instrument as the time it takes until the debt is extinguished according to the contract between the debtor and the creditor, and provides information on the liquidity dimensions of government debt. Paragraph 7.267 of the IMF GFSM 2014 indicates that maturity may relate to original maturity which is the period from the issue date until the final contractually scheduled payment date; or remaining maturity or residual maturity which is the period from the reference date (balance sheet date) until the final contractually scheduled payment date.

A1B.31 Paragraph 7.266 of the IMF GFSM 2014 further states that a debt instrument's maturity can be either short-term or long-term:

- Short-term maturity is payable on demand or with a maturity of one year or less. This category includes arrears and interest on arrears.
- Long-term maturity is a term of more than one year, or no stated maturity (other than debt repayable on demand, which is considered short-term).

A1B.32 *Debt maturity* (ETF 74) is further classified as *debt maturity valued at market value* (ETF 741, SDC).

Debt maturity valued at market value (ETF 741)

A1B.33 *Debt maturity valued at market value* (ETF 741, SDC) consists of the market value of the time it takes until the debt is extinguished according to the contract between the debtor and the creditor. The current market value is equal to the required future payments of principal and contractual interest discounted at the existing market yield interest rate. This item is further classified by type of debt instrument using an appropriate FALC and SDC code. In GFS, debt maturity valued at market value is further classified as:

- *Short-term debt by original maturity valued at market value* (ETF 7411, FALC, SDC);
- *Long-term debt due with payment due within one year or less valued at market value* (ETF 7412, FALC, SDC); and
- *Long-term debt due with payment due in more than one year valued at market* value (ETF 7413, FALC, SDC).

Short-term debt by original maturity valued at market value (ETF 7411, FALC, SDC)

A1B.34 *Short-term debt by original maturity valued at market value* (ETF 7411, FALC, SDC) consists of the market value of the time it takes until the debt is extinguished according to the contract between the debtor and the creditor on a short term basis.

Long-term debt due with payment due within one year or less valued at market value (ETF 7412, FALC, SDC)

A1B.35 *Long-term debt due with payment due within one year or less valued at market value* (ETF 7412, FALC, SDC) consists of the market value of the time it takes until the debt is extinguished according to the contract between the debtor and the creditor on a long term basis with payment due within one year or less.

Long-term debt due with payment due in more than one year valued at market value (ETF 7413, FALC, SDC)

A1B.36 *Long-term debt due with payment due in more than one year valued at market value* (ETF 7413, FALC, SDC) consists of the market value of the time it takes until the debt is extinguished according to the contract between the debtor and the creditor on a long term basis with payment due in more one year.

Salary sacrifice expenses (ETF 75)

A1B.37 *Salary sacrifice expenses* (ETF 75) record the expenses of benefits supplied by a public sector employer to employees under a salary sacrifice arrangement. These expenses are collected as part of the AGFS15 for national accounting purposes and contains details not normally used in GFS. Paragraph 7.47 of the 2008 SNA describes a salary sacrifice as a benefit such as a car or extra superannuation contributions that may be 'purchased' by the employee from the employer by foregoing some salary. Items can only purchased in this way through a specific salary sacrifice agreement between the employer and the individual employee. The attraction of a salary sacrifice arrangement lies in the tax advantages of purchasing items under such a scheme. For example, a car bought by the employer and sold to the employee is taxed at a lower rate than a car purchased by an individual; and superannuation contributions are taxed differently from other income if deducted at source. Whether or not an employer provides benefits under salary sacrifice arrangements for employees is dependent on the employer's willingness to do so, and is not a mandatory part of the conditions of employment.

A1B.38 In the ABS GFS, *salary sacrifice expenses* (ETF 75) are further classified as *salary sacrifice expenses* (ETF 751).

Salary sacrifice expenses (ETF 751)

A1B.39 *Salary sacrifice expenses* (ETF 751) consist of the expenses of benefits supplied by a public sector employer to employees under a salary sacrifice arrangement. In the ABS GFS, salary sacrifice expenses are further classified by destination using an appropriate SDC code, and are further classified as:

- *Salary sacrifice expenses - superannuation* (ETF 7511, SDC); and
- *Salary sacrifice expenses not elsewhere classified* (ETF 7519, SDC).

Salary sacrifice expenses - superannuation (ETF 7511, SDC)

A1B.40 *Salary sacrifice expenses - superannuation* (ETF 7511, SDC) consist of the value of expenses relating to superannuation provided by the employer to employees through a salary sacrifice arrangement. As mentioned above, there are tax advantages for the employee when they make extra superannuation contributions through a salary sacrifice arrangement. This item only records the expenses to the employer relating to the provision of superannuation to employees through a salary sacrifice arrangement, and excludes normal superannuation expenses.

Salary sacrifice expenses not elsewhere classified (ETF 7519, SDC)

A1B.41 *Salary sacrifice expenses not elsewhere classified* (ETF 7519, SDC) consist of the value of expenses relating to items other than superannuation (such as a car, or computer) provided by the employer to employees through a salary sacrifice arrangement. As mentioned above, there are tax advantages for the employee when they purchase items through a salary sacrifice arrangement. This item only records the expenses to the employer relating to the provision of items other than superannuation to employees through a salary sacrifice arrangement, and excludes normal expenses.

Own-account capital formation (ETF 76)

A1B.42 Sometimes, public sector units decide to produce goods or services for their own use rather than purchase them from other units. Often this involves the construction of non-financial produced assets (such as a building or computer software) using the unit's own materials, labour, and expertise. This activity is called own-account capital formation and although it is collected as part of the ABS GFS, the splits classified in *own-account capital formation* (ETF 76) are collected for national accounting purposes.

A1B.43 Own-account production is different from the goods and services generated by producer units. This is because the goods and services produced by producer units are intended to be sold at market or below market prices, whereas own-account production involves the construction of a non-financial asset for the unit's own use. Assets constructed by own-account production are intended to be held and used in-house and do not generate receipts from sales. Paragraph 7.37 of the IMF GFSM 2014 states that assets being constructed on own account are treated as the acquisition of non-financial produced assets by the public sector unit rather than as inventories of work in progress. The costs associated with own-account production must be separately identified from expenses because the own-account capital costs make up the cost base of the asset being constructed.

A1B.44 *Own-account capital formation* (ETF 76) includes all of the costs associated with constructing an asset in-house. Typical costs include wages and salaries, other employee entitlements, and materials and capitalised depreciation relating to work conducted by public sector employees in the construction of non-financial produced assets.

The value of assets produced through own-account capital formation

A1B.45 Assets created through own-account capital formation should be valued at their estimated market price before adding any taxes less subsidies, transport, or distribution margins. It may be difficult to establish the market value of assets produced on own account. This is because the type of asset constructed through own-account capital formation may be specialised and only useful for the exclusive purpose that the public sector unit constructed it (such as computer software or databases). Paragraphs 8.41 and A7.27 of the IMF GFSM 2014 states that in the absence of adequate information to enable an estimation of a market value for assets produced through own-account capital formation, it may be necessary to value the assets by the sum of their cost of production.

A1B.46 When production is carried out on own account, there is no formal transfer of ownership. Paragraph 8.15 of the IMF GFSM 2014 states that the producing unit effectively takes possession progressively as production proceeds, so that the asset is acquired as each transaction involved in its production is recorded. For example, if a public sector unit constructs a building using its own workforce, then each use of goods and services and work performed by employees is classified as an acquisition of the non-financial produced asset, as work takes place.

A1B.47 Since the costs associated with own-account capital formation form part of the cost base of the asset being created, these costs are further classified by the type of asset being created using an appropriate NFAC code, and by purpose using an appropriate COFOG-A code. In the ABS GFS, *own-account capital formation* (ETF 76) are further classified as:

- *Own-account superannuation payments* (ETF 761);
- *Own-account employee payments other than superannuation* (ETF 762); and
- *Own-account non-employee payments* (ETF 763)

Own-account superannuation payments (ETF 761)

A1B.48 *Own-account superannuation payments* (ETF 761) records the value of costs relating to employment related superannuation schemes provided to employees working on own-account capital formation. Own-account superannuation payments (ETF 761) are further classified as:

- *Own-account employers' contributions - defined contribution superannuation* (ETF 7611, NFAC, COFOG-A);

- *Own-account employers' contributions - defined benefit superannuation* (ETF 7612, NFAC, COFOG-A); and
- *Own-account imputed employers' contribution - defined benefit superannuation* (ETF 7613, NFAC, COFOG-A).

Own-account employers' contributions - defined contribution superannuation (ETF 7611, NFAC, COFOG-A)

A1B.49 *Own-account employers' contributions - defined contribution superannuation* (ETF 7611, NFAC, COFOG-A) form part of own-account capital formation (76), and consists of the value of superannuation payments accrued under a defined contribution superannuation scheme for employees engaged in work on own-account capital formation in the current period. Further information on defined contribution superannuation may be found in Chapter 7 and Chapter 13 of this manual.

Own-account actual employers' contributions - defined benefit superannuation (ETF 7612, NFAC, COFOG-A)

A1B.50 *Own-account employers' contributions - defined benefit superannuation* (ETF 7612, NFAC, COFOG-A) consist of the value of superannuation payments accrued under a defined benefit superannuation scheme for employees engaged in work on own-account capital formation work in the current period. Further information on defined benefit superannuation may be found in Chapter 7 and Chapter 13 of this manual.

Own-account imputed employers' contribution - defined benefit superannuation (ETF 7613, NFAC, COFOG-A)

A1B.51 *Own-account imputed employers' contribution - defined benefit superannuation* (ETF 7613, NFAC, COFOG-A) consist of the value of imputed employers' contributions equal to the increase in benefits payable due to current period employment, plus the costs of operating the scheme, minus the sum of the employer's actual contribution and the sum of any contributions by the employees, in relation to employees engaged in work on own-account capital formation. Further information on imputed employers' contributions to defined benefit superannuation may be found in Chapter 7 and Chapter 13 of this manual.

Own-account employee payments other than superannuation (ETF 762)

A1B.52 *Own-account employee payments other than superannuation* (ETF 762) form part of own-account capital formation (76), and consists of the value of compensation of employee (other than superannuation) relating to employees engaged in work on own-account capital formation. In the ABS GFS, own-account employee payments other than superannuation (ETF 762) are further classified as:

- *Own-account wages, salaries and supplements in cash* (ETF 7621, NFAC, COFOG-A);
- *Own-account wages and salaries in kind* (ETF 7622, NFAC, COFOG-A);
- *Own-account salary sacrifice payments - superannuation* (ETF 7623, NFAC, COFOG-A);
- *Own-account salary sacrifice payments - items other than superannuation* (ETF 7624, NFAC, COFOG-A);
- *Own-account fringe benefits tax (FBT) payments* (ETF 7625, NFAC, COFOG-A);
- *Own-account workers' compensation payments* (ETF 7626, NFAC, COFOG-A); and
- *Own-account employee payments not elsewhere classified* (ETF 7629, NFAC, COFOG-A).

Own-account wages, salaries and supplements in cash (ETF 7621, NFAC, COFOG-A)

A1B.53 *Own-account wages, salaries and supplements in cash* (ETF 7621, NFAC, COFOG-A) consist of the value of employer payments relating to employee wages and salaries payable in cash (or any other financial instruments used as means of payments) to employees in return for work done on own-account capital formation. Further information on wages, salaries and supplements in cash may be found in Chapter 7 of this manual.

Own-account wages and salaries in kind (ETF 7622, NFAC, COFOG-A)

A1B.54 *Own-account wages and salaries in kind* (ETF 7622, NFAC, COFOG-A) consist of the value of employer payments relating to employee wages and salaries in kind that are payable in the form of goods, services, interest forgone, and shares issued to employees in return for work done on own-account capital formation. Further information on wages and salaries in kind may be found in Chapter 7 of this manual.

Own-account salary sacrifice payments - superannuation (ETF 7623, NFAC, COFOG-A)

A1B.55 *Own-account salary sacrifice payments - superannuation* (ETF 7623, NFAC, COFOG-A) consist of the value of salary sacrifice payments relating to superannuation provided by the employer to employees working on own-account capital formation through a salary sacrifice arrangement.

Own-account salary sacrifice payments - items other than superannuation (ETF 7624, NFAC, COFOG-A)

A1B.56 *Own-account salary sacrifice payments - items other than superannuation* (ETF 7624, NFAC, COFOG-A) consist of the value of salary sacrifice payments relating to items other than superannuation (such as a car, or computer) provided by the employer to employees working on own-account capital formation through a salary sacrifice arrangement.

Own-account fringe benefits tax (FBT) payments (ETF 7625, NFAC, COFOG-A)

A1B.57 *Own-account fringe benefits tax (FBT) payments* (ETF 7625, NFAC, COFOG-A) consist of the value of employers' FBT payments relating to employees working on own-account capital formation. Further information on FBT may be found in paragraphs 7.24 to 7.25 of this manual.

Own-account workers' compensation payments (ETF 7626, NFAC, COFOG-A)

A1B.58 *Own-account workers' compensation payments* (ETF 7626, NFAC, COFOG-A) consist of the value of employer payments for the provision of workers' compensation for employees working on own-account capital formation. Further information on workers' compensation may be found in paragraph 7.26 of this manual.

Own-account employee payments not elsewhere classified (ETF 7629, NFAC, COFOG-A)

A1B.59 *Own-account employee payments not elsewhere classified* (ETF 7629, NFAC, COFOG-A) consist of the value of employee payments connected to work relating to own-account capital formation other than superannuation, wages, salaries and supplements, salary sacrificed items, FBT payments, and workers' compensation payments. This item includes accrued costs for the period relating to sick leave, annual leave, long service leave, retirement and redundancy for employees working on own-account capital formation. Further information on other employee payments not elsewhere classified may be found in paragraph 7.27 of this manual.

Own-account non-employee payments (ETF 763)

A1B.60 *Own-account non-employee payments* (ETF 763) consist of the value of payments connected to work relating to own-account capital formation that are not related to the compensation of employees. In the ABS GFS, *own-account non-employee payments* (ETF 763) are further classified as:

- *Own-account use of goods and services* (ETF 7631, NFAC, COFOG-A);
- *Own-account depreciation of non-financial produced assets* (ETF 7632, NFAC, COFOG-A);
- *Own-account other taxes on production less other subsidies on production* (ETF 7633, NFAC, COFOG-A); and
- *Own-account other non-employee payments not elsewhere classified* (ETF 7639, NFAC, COFOG-A).

Own-account use of goods and services (ETF 7631, NFAC, COFOG-A)

A1B.61 *Own-account use of goods and services* (ETF 7631, NFAC, COFOG-A) consist of the value of goods and services consumed by a public setor unit in connection to work relating to own-account capital formation. Further information on use of goods and services may be found in paragraphs 7.31 to 7.34 of this manual.

Own-account depreciation of fixed assets (ETF 7632, NFAC, COFOG-A)

A1B.62 *Own-account depreciation of fixed assets* (ETF 7632, NFAC, COFOG-A) form part of own-account capital formation (76), and consists of the value of depreciation (or consumption) on non-current tangible assets connected to own-account capital formation. Further information on depreciation may be found in paragraphs 7.36 to 7.38 of this manual.

Own-account non-employee payments not elsewhere classified (ETF 7639, NFAC, COFOG-A)

A1B.63 *Own-account non-employee payments not elsewhere classified* (ETF 7639, NFAC, COFOG-A) form part of own-account capital formation (76), and consists of the value of other non-employee related payments in relation to own-account capital formation such as capitalised interest.

PART D - INTRA-UNIT TRANSFERS (ETF 6)

A1B.64 *Intra-unit transfers* (ETF 6) refer to the internal transactions that pass between the various funds and accounts of a public sector unit. They are essentially used for balancing purposes and have no direct economic or output significance. They do not appear in published GFS and are used primarily for the editing of input data. The detailed classification of intra-unit transfers are shown in Table A1B.2 below.

Table A1B.2 - Intra-unit transfers

Descriptor	Classification codes
Intra-unit transfers	**ETF 6**
Intra-unit transfers	**ETF 60**
Intra-unit transfers	**ETF 600**
Intra-unit payments	ETF 6001
Intra-unit receipts	ETF 6002

Intra-unit transfers (ETF 6, ETF 60, and ETF 600)

A1B.65 *Intra-unit transfers* (ETF 6, ETF 60, and ETF 600)) form part of the economic type framework (ETF) of the GFS and has the purpose of identifying flows within a unit (e.g. transfers to reserves, certain provisions) other than revaluations and accrued transactions such as depreciation. This item is populated by ABS compilers of GFS and should not be completed by suppliers of GFS data to the ABS. Flows within a unit appear in accounting records and are recorded in the GFS system to ensure that a balance of debits and credits is maintained in the unit's data. These flows cancel out in output. Holding gains and losses and accrued transactions within units are required in output and so are not identified as intra-unit transfers.

A1B.66 In the ABS GFS, intra-unit transfers (ETF 6, ETF 60, and ETF 600) are further classified as:

- Intra-unit payments (ETF 6001); and
- Intra-unit receipts (ETF 6002).

Intra-unit payments (ETF 6001)

A1B.67 *Intra-unit payments* (ETF 6001) record the internal payments that pass between the various funds and accounts of a public sector unit. This item is populated by ABS compilers of GFS and should not be completed by suppliers of GFS data to the ABS.

Intra-unit receipts (ETF 6002)

A1B.68 *Intra-unit payments* (ETF 6001) record the internal receipts that pass between the various funds and accounts of a public sector unit. This item is populated by ABS compilers of GFS and should not be completed by suppliers of GFS data to the ABS.

APPENDIX 1 - PART C - THE CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT - AUSTRALIA

PART A - INTRODUCTION

A1C.1 The *classification of the functions of government - Australia* (COFOG-A) framework is designed to classify the expenditure of commonwealth, state / territory and local governments by purpose for the general government sector.

A1C.2 The COFOG-A framework has been designed so that users can classify individual transactions according to the primary purpose of the outlay. Users need to consider the main objectives of government when they are deciding how to classify certain transactions. In the situation where a government unit has more than one function (which may make it difficult to allocate individual transactions), users need to determine which function is the dominant function of the unit.

A1C.3 The following two examples give an indication of how users need to consider the main objective of the government before they can decide on the purpose of each transaction.

- <u>Case 1: Provision of housing to doctors in remote locations</u> - It may not be clear whether outlays should be classified to *health* (COFOG-A 07) or *housing development* (COFOG-A 0611). The main objective of governments in providing housing to doctors in remote locations is to deliver health services to remote communities as opposed to making housing available for the doctors. Housing is offered to doctors as an incentive for them to work in remote locations so that the remote communities have access to adequate health services. Therefore, related outlays should be classified to the relevant class of *health* (COFOG-A 07).
- <u>Case 2: Provision of housing to serving members of the defence force</u> - This case encompasses two scenarios. Firstly there is the provision of defence housing on base to serving members of the defence force. The main objective of the Commonwealth government in providing this type of accommodation is for defence purposes. Therefore related outlays should be classified to *military defence* (COFOG-A 0211).

The second situation is the provision of defence housing within the community to members of the defence force. The main objective of the Commonwealth government in providing this type of accommodation is to support the families of defence personnel living within the local community. As such, these outlays should be classified to *housing development* (COFOG-A 0611).

PART B - INDIVIDUAL VERSUS COLLECTIVE GOODS AND SERVICES

A1C.4 Paragraph 6.133 of the IMF GFSM 2014 notes that government services can benefit the community either individually or collectively. The COFOG-A is used to distinguish between individual and collective goods and services provided by general government units. The COFOG-A functions are defined so that they represent individual or collective consumption, but not both.

A1C.5 Paragraph 6.134 of the IMF GFSM 2014 defines a collective service as a service provided simultaneously to all members of the community or to all members of a particular section of the community, such as all households living in a particular region. Other characteristics of these collective services may be summarised as follows:

- The use of such services is usually passive, and does not require the explicit agreement or active participation of all the individuals concerned.
- The provision of a collective service to one individual does not reduce the amount available to others in the same community or section of the community. There is no rivalry in consuming these services.

A1C.6 Paragraph 6.135 of the IMF GFSM 2014 defines an individual consumption good or service as one that is acquired by a household and used to satisfy the needs or wants of members of that household. Individual goods and services are essentially private as distinct from public goods and services. They have the following characteristics:

- It must be possible to observe and record the acquisition of the good or service by an individual household or member as well as the time at which it took place.

- The household must have agreed to accept the provision of the good or service and to take whatever action is necessary to make it possible, for example, by attending a school or clinic.
- The good or service must be such that its acquisition by one household or person, or possibly by a small, restricted group of persons, precludes its acquisition by other households or persons.

A1C.7 Paragraph 6.136 of the IMF GFSM 2014 further notes that an important characteristic of an individual good or service is that its acquisition by one household, person or group of persons brings no (or very little) benefit to the rest of the community. The borderline between individual goods and services and collective services is not always clear. While the provision of certain individual health or education services may bring some external benefits to the rest of the community, in general, the individuals concerned derive the main benefit. When a government unit incurs expenditure on the provision of individual goods or services, it must decide not only how much to spend in total but how to allocate, or distribute, the goods or services among individual members of the community. In contrast, in the case of collective services, all members of the community benefit from such services.

A1C.8 Paragraph 6.137 of the IMF GFSM 2014 also states that expenditure incurred by governments in connection with individual services such as health and education are to be treated as collective services when they are concerned with the formulation and administration of government policy; the setting and enforcement of public standards; the regulation, licensing or supervision of producers, etc. On the other hand, any overhead expenses connected with the administration or functioning of a group of hospitals, schools, colleges or similar institutions are to be included in individual expenditure. For example, if a group of private hospitals has a central unit that provides certain common services such as purchasing, laboratories, ambulances, or other facilities, the costs of these common services would be taken into account in the prices charged to patients. The same principle must be followed when the hospitals are non-market producers – all the costs that are associated with the provision of services to particular individuals, including those of any central units providing common services, should be included in the value of expenditure on individual services.

PART C - THE CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT - AUSTRALIA

A1C.9 The COFOG-A replaces the former *Government Purpose Classification* (GPC) and the *Local Government Purpose Classification* (LGPC) in the Australian Bureau of Statistic's (ABS) Government Finance Statistics (GFS). The COFOG-A is a detailed classification of the functions that general government units aim to achieve through various kinds of expenditure. COFOG-A is applied to government expenses and selected revenue items, and net investment in non-financial assets. While the COFOG-A fully agrees with the COFOG represented in the IMF GFSM 2014, the COFOG-A has been adapted slightly to better represent the Australian situation. The broad classification of the COFOG-A is shown in Table A1C.1 below.

Table A1C.1 - Broad classification of the COFOG-A

Descriptor	COFOG-A
General public services	01
Defence	02
Public order and safety	03
Economic affairs	04
Environmental protection	05
Housing and community amenities	06
Health	07
Recreation, culture and religion	08
Education	09
Social protection	10
Transport	11

A1C.10 The detailed classification of the COFOG-A is a hierarchical framework represented by two-digit divisions, three-digit groups and four-digit subgroups. The detailed classification of the COFOG-A is shown in Table A1C.2 below.

Table A1C.2 - The detailed classification of the COFOG-A

Descriptor	**COFOG-A**
GENERAL PUBLIC SERVICES	**01**
Executive and legislative organs, financial and fiscal affairs, external affairs	**011**
Executive and legislative organs	0111
Financial and fiscal affairs	0112
External affairs	0113
Foreign economic aid	**012**
Economic aid to developing countries and countries in transition	0121
Economic aid routed through international organisations	0122
General services	**013**
General personnel services	0131
Overall planning and statistical services	0132
General services not elsewhere classified	0139
Basic research	**014**
Basic research	0141
Research and development - general public services	**015**
Research and development - general public services	0151
Public debt transactions	**016**
Public debt transactions	0161
Transfers of a general character between different levels of government	**017**
Transfers of a general character between different levels of government	0171
General public services not elsewhere classified	**019**
General public services not elsewhere classified	0199
DEFENCE	**02**
Military and civil defence	**021**
Military defence	0211
Civil defence	0212
Foreign military aid	**022**
Foreign military aid	0221
Research and development - defence	**023**
Research and development - defence	0231
Defence not elsewhere classified	**029**
Defence not elsewhere classified	0299
PUBLIC ORDER AND SAFETY	**03**
Police services	**031**
Police services	0311
Civil and fire protection services	**032**
Civil protection services	0321
Fire protection services	0322
Law courts	**033**

Law courts	0331
Prisons	**034**
Prisons	0341
Research and development - public order and safety	**035**
Research and development - public order and safety	0351
Public order and safety not elsewhere classified	**039**
Control of domestic animals and livestock	0391
Public order and safety not elsewhere classified	0399
ECONOMIC AFFAIRS	**04**
General economic, commercial and labour affairs	**041**
General economic and commercial affairs	0411
General labour affairs	0412
Agriculture, forestry, fishing and hunting	**042**
Agriculture	0421
Forestry	0422
Fishing and hunting	0423
Fuel and energy	**043**
Coal and other solid mineral fuels	0431
Petroleum and natural gas	0432
Nuclear fuel	0433
Other fuels	0434
Electricity	0435
Non-electric energy	0436
Fuel and energy not elsewhere classified	0439
Mining, manufacturing and construction	**044**
Mining of mineral resources other than mineral fuels	0441
Manufacturing	0442
Construction	0443
Communication	**045**
Communication	0451
Other industries	**046**
Distributive trades, storage and warehousing	0461
Hotels and restaurants	0462
Tourism	0463
Multipurpose development projects	0464
Research and development - economic affairs	**047**
Research and development - general economic, commercial and labour affairs	0471
Research and development - agriculture, forestry, fishing and hunting	0472
Research and development - fuel and energy	0473
Research and development - mining, manufacturing and construction	0474
Research and development - communication	0475
Research and development - other industries	0476
Economic affairs not elsewhere classified	**049**
Economic affairs not elsewhere classified	0499
ENVIRONMENTAL PROTECTION	**05**

Waste management	**051**
Waste recycling	0511
Waste management not elsewhere classified	0519
Waste water management	**052**
Reused or recycled waste water management	0521
Waste water management not elsewhere classified	0529
Pollution abatement	**053**
Pollution abatement	0531
Protection of biodiversity and landscape	**054**
Protection of biodiversity and landscape	0541
Research and development - environmental protection	**055**
Research and development - environmental protection	0551
Environmental protection not elsewhere classified	**059**
Environmental protection not elsewhere classified	0599
HOUSING AND COMMUNITY AMENITIES	**06**
Housing development	**061**
Housing development	0611
Community development	**062**
Indigenous community development	0621
Community development not elsewhere classified	0629
Water supply	**063**
Water supply	0631
Street lighting	**064**
Street lighting	0641
Research and development - housing and community amenities	**065**
Research and development - housing and community amenities	0651
Housing and community amenities not elsewhere classified	**069**
Housing not elsewhere classified	0698
Community amenities not elsewhere classified	0699
HEALTH	**07**
Medical products, appliances and equipment	**071**
Pharmaceutical products	0711
Other medical products	0712
Therapeutic appliances and equipment	0713
Outpatient services	**072**
General medical services	0721
Specialised medical services	0722
Dental services	0723
Paramedical services	0724
Hospital services	**073**
General hospital services	0731
Specialised hospital services	0732
Medical and maternity centre services	0733
Nursing and convalescent home services	0734
Mental health institutions	**074**

Mental health institutions	0741
Community health services	**075**
Community mental health services	0751
Patient transport	0752
Community health services not elsewhere classified	0759
Public health services	**076**
Public health services	0761
Research and development - health	**077**
Research and development - health	0771
Health not elsewhere classified	**079**
Health not elsewhere classified	0799
RECREATION, CULTURE AND RELIGION	**08**
Recreational and sporting services	**081**
Recreational and sporting services	0811
Cultural services	**082**
Film production services	0821
Cultural services not elsewhere classified	0829
Broadcasting and publishing services	**083**
Broadcasting services	0831
Publishing services	0832
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Religious and other community services	0841
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Research and development - recreation, culture and religion	0851
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EDUCATION	**09**
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Research and development - education	**096**
Research and development - education	0961
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A1C.11 The rest of this chapter sets out the categories that make up the COFOG-A and the items that are included or excluded from each category.

GENERAL PUBLIC SERVICES (COFOG-A 01)

A1C.12 *General public services* (COFOG-A 01) consists of government expenditure on general public services. This category is further classified into:

- *executive and legislative organs, financial and fiscal affairs, external affairs* (COFOG-A 011);
- *foreign economic aid* (COFOG-A 012);
- *general services* (COFOG-A 013);
- *basic research* (COFOG-A 014);
- *research and development - general public services* (COFOG-A 015);
- *public debt transactions* (COFOG-A 016);
- *transfers of a general character between different levels of government* (COFOG-A 017); and
- *general public services not elsewhere classified* (COFOG-A 019).

Executive and legislative organs, financial and fiscal affairs, external affairs (COFOG-A 011)

A1C.13 *Executive and legislative organs, financial and fiscal affairs, external affairs* (COFOG-A 011) consists of government expenditure on executive and legislative organs, financial and fiscal affairs and external affairs. This category is further classified into:

- *executive and legislative organs* (COFOG-A 0111);
- *financial and fiscal affairs* (COFOG-A 0112); and
- *external affairs* (COFOG-A 0113).

Executive and legislative organs (COFOG-A 0111)

A1C.14 *Executive and legislative organs* (COFOG-A 0111) consists of:

- the administration, operation, or support of executive and legislative organs.

Includes: Office of the chief executive at all levels of government - office of the monarch, governor-general, president, prime minister, governor, premier and mayor, etc.; legislative bodies at all levels of government - parliaments, chambers of deputies, senates, assemblies, town councils, etc.; advisory, administrative and political staff attached to chief executive offices and legislatures; libraries and other reference services serving mainly executive and legislative organs; physical amenities provided to the chief executive, the legislature and their aides such as dedicated car parking facilities; permanent or ad hoc commissions and committees created by or acting on behalf of the chief executive or legislature; legislative drafting offices; ministerial offices, local government offices and interdepartmental committees not concerned with a specific function.

Excludes: Ministerial offices, offices of heads of departments of local governments, interdepartmental committees, etc. concerned with a specific function (classified according to function); public libraries and archives for general public use (classified to *cultural services not elsewhere classified* (COFOG-A 0829)).

Financial and fiscal affairs (COFOG-A 0112)

A1C.15 *Financial and fiscal affairs* (COFOG-A 0112) consists of:

- the administration of financial and fiscal affairs and services; management of public funds and public debt; operation of taxation schemes;
- the operation of the treasury or ministry of finance, the budget office, the inland revenue agency, the customs authorities, the accounting and auditing services; and
- the production and dissemination of general information, technical documentation and statistics on financial and fiscal affairs and services.

Includes: Collection of taxes including customs duties; departmental monitoring and control of monetary and fiscal policy; formulation and review of government budgets; financial and fiscal affairs and services at all levels of government.

Excludes: Underwriting or flotation charges and interest payments on government loans (classified to *public debt transactions* (COFOG-A 0161)); supervision of the banking industry (classified to *general economic and commercial affairs* (COFOG-A 0411)); collection of licences, fees and fines which are associated with a specific function (classified according to function); oversight of internal and external audit functions (classified to *executive and legislative organs* (COFOG-A 0111)).

External affairs (COFOG-A 0113)

A1C.16 *External affairs* (COFOG-A 0113) consists of:

- the administration of external affairs and services;
- the operation of the ministry of external affairs and diplomatic and consular missions stationed abroad or at offices of international organisations; operation or support of information and cultural services for distribution beyond national boundaries; operation or support of libraries, reading rooms and reference services located abroad; and
- regular subscriptions and special contributions to meet general operating expenses of international organisations.

Includes: Issuing of passports and visas; cultural events intended for presentation beyond national boundaries.

Excludes: Economic aid to developing countries and countries in transition (classified to *economic aid to developing countries and countries in transition* (COFOG-A 0121)); economic aid missions accredited to foreign governments (classified to *economic aid to developing countries and countries in transition* (COFOG-A 0121)); contributions to aid programs administered by international or regional organisations (classified to *economic aid routed through international organisations* (COFOG-A 0122)); military units stationed abroad (classified to *military defence* (COFOG-A 0211)); military aid to foreign countries (classified to *foreign military aid* (COFOG-A 0221)); general foreign economic, commercial and technical affairs including foreign trade offices (classified to *general economic and commercial affairs* (COFOG-A 0411)); tourism affairs and services (classified to *tourism* (COFOG-A 0463)); production of cultural material intended for overseas broadcasting (classified to *broadcasting services* (COFOG-A 0831)).

Foreign economic aid (COFOG-A 012)

A1C.17 *Foreign economic aid* (COFOG-A 012) consists of government expenditure on foreign economic aid. This category is further classified into:

- *economic aid to developing countries and countries in transition* (COFOG-A 0121); and
- *economic aid routed through international organisations* (COFOG-A 0122).

Economic aid to developing countries and countries in transition (COFOG-A 0121)

A1C.18 *Economic aid to developing countries and countries in transition* (COFOG-A 0121) consists of

- the administration of economic cooperation with developing countries and countries in transition;
- the operation of economic aid missions accredited to foreign governments; operation or support of technical assistance programs, training programs, fellowship and scholarship schemes; and
- economic aid in the form of grants (in cash or in kind) or loans (regardless of interest charged).

Excludes: Contributions to economic development funds administered by international or regional organisations (classified to *economic aid routed through international organisations* (COFOG-A 0122)); military aid to foreign countries (classified to *foreign military aid* (COFOG-A 0221)).

Economic aid routed through international organisations (COFOG-A 0122)

A1C.19 *Economic aid routed through international organisations* (COFOG-A 0122) consists of:

- the administration of economic aid routed through international organisations; and
- contributions in cash or in kind to economic development funds administered by international, regional or other multinational organisations.

Excludes: Aid to international peacekeeping operations (classified to *foreign military aid* (COFOG-A 0221)).

General services (COFOG-A 013)

A1C.20 *General services* (COFOG-A 013) consists of government expenditure on general services. This category includes services that are not connected with a specific function and which are usually undertaken by central offices at the various levels of government. Also covered are those services connected with a particular function that are undertaken by such central offices. For example, the compilation of industry, environment, health or education statistics by a central statistical agency is included here.

A1C.21 This category is further classified into:

- *general personnel services* (COFOG-A 0131);
- *overall planning and statistical services* (COFOG-A 0132); and
- *general services not elsewhere classified* (COFOG-A 0139).

General personnel services (COFOG-A 0131)

A1C.22 *General personnel services* (COFOG-A 0131) consists of:

- the administration and operation of general personnel services including development and implementation of general personnel policies and procedures covering selection, promotion, rating methods, the description, evaluation and classification of jobs, the administration of civil service regulations and similar matters.

Excludes: Personnel administration and services connected with a specific function (classified according to function).

Overall planning and statistical services (COFOG-A 0132)

A1C.23 *Overall planning and statistical services* (COFOG-A 0132) consists of:

- the administration and operation of overall economic and social planning services and of overall statistical services including formulation, coordination and monitoring of overall economic and social plans and programs and of overall statistical plans and programs.

Excludes: Economic and social planning services and statistical services connected with a specific function (classified according to function)

General services not elsewhere classified (COFOG-A 0139)

A1C.24 *General services not elsewhere classified* (COFOG-A 0139) consists of:

- the administration and operation of other general services such as centralised supply and purchasing services, maintenance and storage of government records and archives, operation of government owned or occupied buildings, central motor vehicle pools, government operated printing offices, centralised computer and data processing services, etc.

Includes: Halls or civic centres used mainly for administration.

Excludes: Other general services connected with a specific function (classified according to function); community centres, multipurpose halls or civic centres mainly used for recreational and cultural pursuits (classified to *community centres and halls* (COFOG-A 0891)).

Basic research (COFOG-A 014)

A1C.25 *Basic research* (COFOG-A 014) consists of government expenditure on basic research. This includes experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any particular application or use in view.

A1C.26 This category is further classified into:

- *basic research* (COFOG-A 0141).

Basic research (COFOG-A 0141)

A1C.27 *Basic research* (COFOG-A 0141) consists of

- the administration and operation of government agencies engaged in basic research; and
- grants, loans or subsidies to support basic research undertaken by non-government bodies such as research institutes and universities.

Includes: Multi-disciplinary research such as oceanography; single discipline research.

Excludes: Applied research and experimental development (classified according to function).

Research and development - general public services (COFOG-A 015)

A1C.28 *Research and development - general public services* (COFOG-A 015) consists of government expenditure on research and development relating to general public services. Applied research is original investigation undertaken in order to acquire new knowledge, but directed primarily towards a specific practical aim or objective. Experimental development is systematic work, drawing on existing knowledge gained from research and practical experience, that is directed to producing new materials, products and devices; to installing new processes, systems and services; or to improving substantially those already produced or installed.

A1C.29 This category is further classified into:

- *research and development - general public services* (COFOG-A 0151).

Research and development - general public services (COFOG-A 0151)

A1C.30 *Research and development - general public services* (COFOG-A 0151) consists of:

- the administration and operation of government agencies engaged in applied research and experimental development related to general public services; and
- grants, loans or subsidies to support applied research and experimental development related to general public services undertaken by non-government bodies such as research institutes and universities.

Includes: Research into foreign policy.

Excludes: Basic research (classified to *basic research* (COFOG-A 0141)).

Public debt transactions (COFOG-A 016)

A1C.31 *Public debt transactions* (COFOG-A 016) consists of government expenditure on public debt transactions. This category is further classified into:

- public debt transactions (COFOG-A 0161).

Public debt transactions (COFOG-A 0161)

A1C.32 *Public debt transactions* (COFOG-A 0161) consists of:

- interest payments and expenses for underwriting and floating government loans.

Includes: Interest on government securities or under special credit arrangements with other countries.

Excludes: Administrative costs of public debt management (classified to *financial and fiscal affairs* (COFOG-A 0112)).

Transfers of a general character between different levels of government (COFOG-A 017)

A1C.33 *Transfers of a general character between different levels of government* (COFOG-A 017) consists of government expenditure on transfers of a general character between different levels of government. This category is further classified into:

- *transfers of a general character between different levels of government* (COFOG-A 0171).

Transfers of a general character between different levels of government (COFOG-A 0171)

A1C.34 *Transfers of a general character between different levels of government* (COFOG-A 0171) consists of:

- transfers between different levels of government that are of a general character and not allocated to a particular function.

Excludes: Grants, advances or other intergovernmental transactions connected with a specific function (classified according to function).

General public services not elsewhere classified (COFOG-A 019)

A1C.35 *General public services not elsewhere classified* (COFOG-A 019) consists of government expenditure on general public services not elsewhere classified. This category is further classified into:

- *general public services not elsewhere classified* (COFOG-A 0199).

General public services not elsewhere classified (COFOG-A 0199)

A1C.36 *General public services not elsewhere classified* (COFOG-A 0199) consists of:

- the administration, operation or support of general public services such as registration of voters, holding of elections and referendums, administration of non-self-governing and trust territories, etc.

Includes: Administration of Indian Ocean and Pacific Ocean Territories and non-self governing territories where outlays are not elsewhere classified; general public services that cannot be classified to *executive and legislative organs, financial and fiscal affairs, external affairs* (COFOG-A 011), *foreign economic aid* (COFOG-A 012), *general services* (COFOG-A 013), *basic research* (COFOG-A 014). *research and development - general public services* (COFOG-A 015); *public debt transactions* (COFOG-A 016) or *transfers of a general character between different levels of government* (COFOG-A 017)

Excludes: Public debt transactions (classified to *public debt transactions* (COFOG-A 0161)); transfers of a general character between different levels of government (classified to *transfers of a general character between different levels of government* (COFOG-A 0171)); general economic and commercial affairs connected with a specific function (classified according to function); community centres, multipurpose halls or civic centres mainly used for recreational and cultural pursuits (classified to *community centres and halls* (COFOG-A 0891)).

DEFENCE (COFOG-A 02)

A1C.37 *Defence* (COFOG-A 02) consists of government expenditure on defence. This category is further classified into:

- military and civil defence (COFOG-A 021);
- foreign military aid (COFOG-A 022);
- research and development - defence (COFOG-A 023); and
- defence not elsewhere classified (COFOG-A 029).

Military and civil defence (COFOG-A 021)

A1C.38 *Military and civil defence* (COFOG-A 021) consists of government expenditure on military and civil defence. This category is further classified into:

- *military defence* (COFOG-A 0211); and
- *civil defence* (COFOG-A 0212).

Military defence (COFOG-A 0211)

A1C.39 *Military defence* (COFOG-A 0211) consists of:

- the administration of military defence affairs and services; and
- the operation of land, sea, air and space defence forces; operation of engineering, transport, communication, intelligence, personnel and other non-combat defence forces; operation or support of reserve and auxiliary forces of the defence establishment.

Includes: Offices of military attachés stationed abroad; field hospitals; provision of equipment, structures and supplies; provision of accommodation on Defence bases to members of the defence force.

Excludes: Military aid missions (classified to *foreign military aid* (COFOG-A 0221)); military base hospitals (classified to *general hospital services* (COFOG-A 0731)); military schools and colleges where curricula resembles those of civilian institutions even though attendance may be limited to military personnel and their families (classified to the appropriate class of COFOG-A 091, COFOG-A 092 or COFOG-A 093); pension schemes for military personnel (classified to *old age* (COFOG-A 1011)); pensions and other benefits paid to war widows and war orphans (classified to *survivors* (COFOG-A 1021)); provision of accommodation within the community to members of the defence force (classified to *housing development* (COFOG-A 0611)); financing of homes for ex-service personnel (classified to *housing* (COFOG-A 1051)).

Civil defence (COFOG-A 0212)

A1C.40 *Civil defence* (COFOG-A 0212) consists of:

- the administration of civil defence affairs and services; formulation of contingency plans; organisation of exercises involving civilian institutions and populations; and
- the operation or support of civil defence forces.

Includes: Civil defence personnel.

Excludes: Civil protection services (classified to *civil protection services* (COFOG-A 0321)); purchase and storage of food, equipment and other supplies for emergency use in the case of natural disasters (classified to *natural disaster relief* (COFOG-A 1091)); purchase and storage of food, equipment and other supplies for emergency use in the case of man-made disasters (classified to *social protection not elsewhere classified* (COFOG-A 1099)).

Foreign military aid (COFOG-A 022)

A1C.41 *Foreign military aid* (COFOG-A 022) consists of government expenditure on foreign military aid. This category is further classified into:

- foreign military aid (COFOG-A 0221).

Foreign military aid (COFOG-A 0221)

A1C.42 *Foreign military aid* (COFOG-A 0221) consists of:

- the administration of military aid and operation of military aid missions accredited to foreign governments or attached to international military organisations or alliances; and
- military aid in the form of grants (in cash or in kind), loans (regardless of interest charged) or loans of equipment; contributions to international peacekeeping forces including the assignment of manpower.

Research and development - defence (COFOG-A 023)

A1C.43 *Research and development - defence* (COFOG-A 023) consists of government expenditure on research and development relating to defence. Definitions of basic research, applied research and experimental development are given under COFOG-A 014 and COFOG-A 015. This category is further classified into:

- Research and development - defence (COFOG-A 0231).

Research and development - defence (COFOG-A 0231)

A1C.44 *Research and development - defence* (COFOG-A 0231) consists of:

- the administration and operation of government agencies engaged in applied research and experimental development related to defence; and
- grants, loans or subsidies to support applied research and experimental development related to defence undertaken by non-government bodies such as research institutes and universities.

Includes: Development of new and improved equipment; improvements in tactics and strategies.

Excludes: Basic research (classified to *basic research* (COFOG-A 0141)).

Defence not elsewhere classified (COFOG-A 029)

A1C.45 *Defence not elsewhere classified* (COFOG-A 029) consists of government expenditure on defence not elsewhere classified. This category is further classified into:

- *defence not elsewhere classified* (COFOG-A 0299).

Defence not elsewhere classified (COFOG-A 0299)

A1C.46 *Defence not elsewhere classified* (COFOG-A 0299) consists of:

- the administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programs and budgets relating to defence; preparation and enforcement of legislation relating to defence; production and dissemination of general information, technical documentation and statistics on defence; etc.

Includes: Defence affairs and services that cannot be classified to *military and civil defence* (COFOG-A 021), *foreign military aid* (COFOG-A 022) or *research and development - defence* (COFOG-A 023).

Excludes: Administration of war veterans' affairs (classified to *old age* (COFOG-A 101)).

PUBLIC ORDER AND SAFETY (COFOG-A 03)

A1C.47 *Public order and safety* (COFOG-A 03) consists of government expenditure on public order and safety. This category is further classified into:

- *police services* (COFOG-A 031);
- *civil and fire protection services* (COFOG-A 032);
- *law courts* (COFOG-A 033);
- *prisons* (COFOG-A 034);
- *research and development - public order and safety* (COFOG-A 035); and
- *public order and safety not elsewhere classified* (COFOG-A 039).

Police services (COFOG-A 031)

A1C.48 *Police services* (COFOG-A 031) consists of government expenditure on police services. This category is further classified into:

- *police services* (COFOG-A 0311).

Police services (COFOG-A 0311)

A1C.49 *Police services* (COFOG-A 0311) consists of:

- the administration of police affairs and services including alien registration, issuing work and travel documents to immigrants, maintenance of arrest records and statistics related to police work, road traffic regulation and control, prevention of smuggling and control of offshore and ocean fishing; and
- the operation of regular and auxiliary police forces; operation of port, border and coast guards and of other special police forces maintained by public authorities; operation of police laboratories; operation or support of police training programs.

Includes: Traffic wardens; control of water traffic involving direct action by police.

<u>Excludes</u>: Police colleges offering general education in addition to police training (classified to *preliminary and primary education* (COFOG-A 091), *secondary education* (COFOG-A 092) or *tertiary education* (COFOG-A 093)).

Civil and fire protection services (COFOG-A 032)

A1C.50 *Civil and fire protection services* (COFOG-A 032) consists of government expenditure on civil and fire protection services. This category is further classified into:

- *civil protection services* (COFOG-A 0321); and
- *fire protection services* (COFOG-A 0322).

Civil protection services (COFOG-A 0321)

A1C.51 *Civil protection services* (COFOG-A 0321) consists of;

- the administration of civil protection affairs and services; and
- the operation of civil protection services maintained by public authorities; operation or support of civil protection training programs.

<u>Includes</u>: Civil protection services such as mountain rescue, beach surveillance (including beach patrols and beach inspection), life saving, evacuation of flooded areas, etc.; maintenance of state emergency services such as through local government contributions, and their operations that cannot be allocated to natural disaster relief.

Fire protection services (COFOG-A 0322)

A1C.52 *Fire protection services* (COFOG-A 0322) consists of:

- the administration of fire prevention and fire fighting affairs and services; and
- the operation of regular and auxiliary fire brigades and of other fire prevention and fire fighting services maintained by public authorities; operation or support of fire prevention and fire fighting training programs.

<u>Includes</u>: Contributions to volunteer fire brigades; operation of fire brigade boards; roadside clearing operations; rural fire services.

<u>Excludes</u>: Civil defence (classified to *civil defence* (COFOG-A 0212)); forces especially trained and equipped for fighting or preventing forest fires (classified to *forestry* (COFOG-A 0422)); cash benefits and benefits in kind to victims of fire (classified to *natural disaster relief* (COFOG-A 1091) or *social protection not elsewhere classified* (COFOG-A 1099)); maintenance of state emergency services, such as through local government contributions (classified to *civil protection services* (COFOG-A 0321)); fire control activities carried out in national parks, state reserves and crown land (classified to *protection of biodiversity and landscape* (COFOG-A 0541)).

Law courts (COFOG-A 033)

A1C.53 *Law courts* (COFOG-A 033) consists of government expenditure on law courts. This category is further classified into:

- *law courts* (COFOG-A 0331).

Law courts (COFOG-A 0331)

A1C.54 *Law courts* (COFOG-A 0331) consists of:

- the administration, operation or support of civil and criminal law courts and the judicial system, including enforcement of fines and legal settlements imposed by the courts and operation of parole and probation systems; and
- the legal representation and advice on behalf of government or on behalf of others provided by government in cash or in services.

<u>Includes</u>: Administrative tribunals; ombudsmen and the like; costs of crown prosecutions; law reform; registration of legal titles to property; registration of births, deaths and marriages.

Excludes: Prison administration (classified to *prisons* (COFOG-A 0341)); industrial law (classified to *general labour affairs* (COFOG-A 0412)); tribunals and appeals boards connected with a specific function (classified according to function); trusteeship services (not applicable for this classification).

Prisons (COFOG-A 034)

A1C.55 *Prisons* (COFOG-A 034) consists of government expenditure on prisons. This category is further classified into:

- *prisons* (COFOG-A 0341).

Prisons (COFOG-A 0341)

A1C.56 *Prisons* (COFOG-A 0341) consists of:

- the administration, operation or support of prisons and other places for the detention or rehabilitation of criminals such as prison farms, workhouses, reformatories, borstals, asylums for the criminally insane, etc.

Includes: Non-institutional corrective services; remand centres; places of secure detention for juveniles, child offenders and children on remand for alleged offences; youth training centres; juvenile corrective institutions; community-based correction activities where the offender or alleged offender is at large in the community but is required to adhere to certain rehabilitation sessions such as parole and probation services, community service orders and attendance centres.

Excludes: Residential child care institutions that are not places of secure detention such as juvenile hostels, campus homes, family group homes, etc. (classified to *family and children* (COFOG-A 1031)).

Research and development - public order and safety (COFOG-A 035)

A1C.57 *Research and development - public order and safety* (COFOG-A 035) consists of government expenditure on research and development relating to public order and safety. Definitions of basic research, applied research and experimental development are given under COFOG-A 014 and COFOG-A 015. This category is further classified into:

- research and development - public order and safety (COFOG-A 0351).

Research and development - public order and safety (COFOG-A 0351)

A1C.58 *Research and development - public order and safety* (COFOG-A 0351) consists of:

- the administration and operation of government agencies engaged in applied research and experimental development related to public order and safety; and
- grants, loans or subsidies to support applied research and experimental development related to public order and safety undertaken by non-government bodies such as research institutes and universities.

Excludes: Basic research (classified to *basic research* (COFOG-A 0141)).

Public order and safety not elsewhere classified (COFOG-A 039)

A1C.59 *Public order and safety not elsewhere classified* (COFOG-A 039) consists of government expenditure on public order and safety not elsewhere classified. This category is further classified into:

- control of domestic animals and livestock (COFOG-A 0391); and
- public order and safety not elsewhere classified (COFOG-A 0399).

Control of domestic animals and livestock (COFOG-A 0391)

A1C.60 *Control of domestic animals and livestock* (COFOG-A 0391) consists of:

- the administration, operation or support of programs relating to the control of domestic animals and stray cattle.

Includes: Animal registration; animal pounds; control of stray cattle; associated veterinary costs.

Excludes: Veterinary medicine and animal husbandry costs connected to agricultural research (classified to *research and development - agriculture, forestry, fishing and hunting* (COFOG-A 0472)).

Public order and safety not elsewhere classified (COFOG-A 0399)

A1C.61 *Public order and safety not elsewhere classified* (COFOG-A 0399) consists of:

- the administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programs and budgets relating to public order and safety; preparation and enforcement of legislation and standards for the provision of public order and safety; production and dissemination of general information, technical documentation and statistics on public order and safety.

Includes: Control of explosives; human rights organisations; community relations; community policing; programs to improve or promote public order and safety such as domestic violence prevention programs, community justice programs and night patrol programs; public order and safety affairs and services that cannot be classified to *police services* (COFOG-A 031), *civil and fire protection services* (COFOG-A 032), *law courts* (COFOG-A 033), *prisons* (COFOG-A 034), *research and development - public order and safety* (COFOG-A 035) or *control of domestic animals and livestock* (COFOG-A 0391).

Excludes: Road safety (classified to *road transport not elsewhere classified* (COFOG-A 1119)); operations of state emergency services that can be allocated to natural disaster relief (classified to *natural disaster relief* (COFOG-A 1091)).

ECONOMIC AFFAIRS (COFOG-A 04)

A1C.62 *Economic affairs* (COFOG-A 04) consists of government expenditure on economic affairs. This category is further classified into:

- *general economic, commercial, and labour affairs* (COFOG-A 041);
- *agriculture, forestry, fishing, and hunting* (COFOG-A 042);
- *fuel and energy* (COFOG-A 043);
- *mining, manufacturing, and construction* (COFOG-A 044);
- *communication* (COFOG-A 045);
- *other industries* (COFOG-A 046);
- *research and development - economic affairs* (COFOG-A 047); and
- *economic affairs not elsewhere classified* (COFOG-A 049).

General economic, commercial, and labour affairs (COFOG-A 041)

A1C.63 *General economic, commercial, and labour affairs* (COFOG-A 041) consists of government expenditure on general economic, and labour affairs. This category is further classified into:

- *general economic and commercial affairs* (COFOG-A 0411); and
- *general labour affairs* (COFOG-A 0412).

General economic and commercial affairs (COFOG-A 0411)

A1C.64 *General economic and commercial affairs* (COFOG-A 0411) consists of:

- the administration of general economic and commercial affairs and services including general foreign commercial affairs; formulation and implementation of general economic and commercial policies; liaison among different branches of government and between government and business;
- the regulation or support of general economic and commercial activities such as export and import trade as a whole, commodity and equity markets, overall income controls, general trade promotion activities, general regulation of monopolies and other restraints on trade and market entry, etc.; supervision of the banking industry;
- the operation or support of institutions dealing with patents, trademarks, copyrights, company registration, weather forecasting, standards, hydrologic surveys, geodesic surveys, etc.; and
- grants, loans or subsidies to promote general economic and commercial policies and programs.

Includes: Consumer education and protection; foreign trade offices.

Excludes: Economic and commercial affairs of a particular industry (classified to COFOG-A 042, COFOG-A 043, COFOG-A 044, COFOG-A 045, COFOG-A 046 or COFOG-A 11).

General labour affairs (COFOG-A 0412)

A1C.65 *General labour affairs* (COFOG-A 0412) consists of:

- the administration of general labour affairs and services; formulation and implementation of general labour policies; supervision and regulation of labour conditions (hours of work, wages, safety, etc.); liaison among different branches of government and between government and overall industrial, business and labour organisations;
- the operation or support of general programs or schemes to facilitate labour mobility, to reduce sex, race, age and other discrimination, to reduce the rate of unemployment in distressed or underdeveloped regions, to promote the employment of disadvantaged or other groups characterised by high unemployment rates, etc.; operation of labour exchanges; operation or support of arbitration and mediation services;
- the production and dissemination of general information, technical documentation and statistics on general labour affairs and services; and
- grants, loans or subsidies to promote general labour policies and programs.

Includes: Operation or support of conciliation services; operation of employment offices; schemes to promote employment that cannot be allocated to specific industries; Community Development Employment Projects (CDEP) program; Remote Jobs and Communities Program (RJCP); other programs in which general labour affairs is the main component.

Excludes: Labour affairs of a particular industry (classified to COFOG-A 042, COFOG-A 043, COFOG-A 044, COFOG-A 045, COFOG-A 046 or COFOG-A 11); provision of social protection in the form of cash benefits and benefits in kind to people who are unemployed (classified to *unemployment* (COFOG-A 1041)); vocational training (classified to *vocational education and training* (COFOG-A 0941)); the Community Development Employment Program (classified to *indigenous community development* (COFOG-A 0621) or *community development not elsewhere classified* (COFOG-A 0629)).

Agriculture, forestry, fishing, and hunting (COFOG-A 042)

A1C.66 *Agriculture, forestry, fishing, and hunting* (COFOG-A 042) consists of government expenditure on agriculture, forestry, fishing and hunting. This category is further classified into:

- *agriculture* (COFOG-A 0421);
- *forestry* (COFOG-A 0422); and
- fishing and hunting (COFOG-A 0423).

Agriculture (COFOG-A 0421)

A1C.67 *Agriculture* (COFOG-A 0421) consists of:

- the administration of agricultural affairs and services; conservation, reclamation or expansion of arable land; agrarian reform and land settlement; supervision and regulation of the agricultural industry;
- the construction or operation of flood control, irrigation and drainage systems including grants, loans or subsidies for such works;
- the operation or support of programs or schemes to stabilise or improve farm prices and farm incomes; operation or support of extension services or veterinary services to farmers, pest control services, crop inspection services and crop grading services;
- the production and dissemination of general information, technical documentation and statistics on agricultural affairs and services; and
- compensation, grants, loans or subsidies to farmers in connection with agricultural activities, including payments for restricting or encouraging output of a particular crop or for allowing land to remain uncultivated.

Includes: Grants, subsidies and other assistance for agricultural land clearing and control of soil erosion; programs for rural debt reconstruction, farm rehabilitation and retraining displaced farmers; subsides to induce farmers to purchase and utilise fertilisers and improved seeds; dissemination of knowledge with the principal aim of increasing productivity, improving quality of products, conserving land and reducing labour or other costs.

Excludes: Multipurpose development projects (classified to *multipurpose development projects* (COFOG-A 0464)); subsidies for agricultural and grazing practices aimed at reducing harm to soils and water bodies (classified to *protection of biodiversity and landscape* (COFOG-A 0541)); control of stray cattle and associated veterinary costs (classified to *control of domestic animals and livestock* (COFOG-A 0391)); water supply, distribution, regulation and administration services (classified to *water supply* (COFOG-A 0631)).

Forestry (COFOG-A 0422)

A1C.68 *Forestry* (COFOG-A 0422) consists of:

- the administration of forestry affairs and services; conservation, extension and rationalised exploitation of forest reserves; supervision and regulation of forest operations and issuance of tree-felling licenses;
- the operation or support of reforestation work, pest and disease control, forest fire-fighting and fire prevention services and extension services to forest operators;
- the production and dissemination of general information, technical documentation and statistics on forestry affairs and services; and
- grants, loans or subsidies to support commercial forest activities.

Includes: Forest crops in addition to timber; commercial forest operations.

Excludes: Protection of biodiversity such as schemes to protect flora (classified to *protection of biodiversity and landscape* (COFOG-A 0541)).

Fishing and hunting (COFOG-A 0423)

A1C.69 *Fishing and hunting* (COFOG-A 0423) includes both commercial fishing and hunting, and fishing and hunting for sport. The fishing and hunting affairs and services listed below refer to activities that take place outside natural parks and reserves. This category consists of:

- the administration of fishing and hunting affairs and services; protection, propagation and rationalised exploitation of fish and wildlife stocks; supervision and regulation of freshwater fishing, coastal fishing, ocean fishing, fish farming, wildlife hunting and issuance of fishing and hunting licences;
- the operation or support of fish hatcheries, extension services, stocking or culling activities, etc.;
- the production and dissemination of general information, technical documentation and statistics on fishing and hunting affairs and services; and
- grants, loans or subsidies to support commercial fishing and hunting activities, including the construction or operation of fish hatcheries.

Includes: Game preserves.

Excludes: Control of offshore and ocean fishing (classified to *police services* (COFOG-A 0311)); administration, operation or support of natural parks and reserves (classified to *protection of biodiversity and landscape* (COFOG-A 0541)).

Fuel and energy (COFOG-A 043)

A1C.70 *Fuel and energy* (COFOG-A 043) consists of government expenditure on fuel and energy. This category is further classified into:

- *coal and other solid mineral fuels* (COFOG-A 0431);
- *petroleum and natural gas* (COFOG-A 0432);
- *nuclear fuel* (COFOG-A 0433);
- *other fuels* (COFOG-A 0434);
- *electricity* (COFOG-A 0435);
- *non-electric energy* (COFOG-A 0436); and
- *fuel and energy not elsewhere classified* (COFOG-A 0439).

Coal and other solid mineral fuels (COFOG-A 0431)

A1C.71 *Coal and other solid mineral fuels* (COFOG-A 0431) includes coal of all grades, lignite and peat irrespective of the method used in their extraction or beneficiation and the conversion of these fuels to other forms such as coke or gas. This category consists of:

- the administration of solid mineral fuel affairs and services; conservation, discovery, development and rationalised exploitation of solid mineral fuel resources; supervision and regulation of the extraction, processing, distribution and use of solid mineral fuels;
- the production and dissemination of general information, technical documentation and statistics on solid mineral fuel affairs and services; and
- grants, loans or subsidies to support the solid mineral fuel industry and the coke, briquette or manufactured gas industries.

Includes: Price control; measures designed to reduce or increase consumption or production.

Excludes: Solid mineral fuel transportation affairs (classified to the appropriate class of COFOG-A 11).

Petroleum and natural gas (COFOG-A 0432)

A1C.72 *Petroleum and natural gas* (COFOG-A 0432) includes natural gas, liquefied petroleum gases and refinery gases, oil from wells or other sources such as shale or tar sands and the distribution of town gas regardless of its composition. This category consists of:

- the administration of petroleum and natural gas affairs and services; conservation, discovery, development and rationalised exploitation of petroleum and natural gas resources; supervision and regulation of the extraction, processing, distribution and use of petroleum and natural gas;
- the production and dissemination of general information, technical documentation and statistics on petroleum and natural gas affairs and services; and
- grants, loans or subsidies to support the petroleum extraction industry and the industry refining crude petroleum and related liquid and gaseous products.

Includes: Price control; measures designed to reduce or increase consumption or production.

Excludes: Petroleum or gas transportation affairs (classified to the appropriate class of COFOG-A 11).

Nuclear fuel (COFOG-A 0433)

A1C.73 *Nuclear fuel* (COFOG-A 0433) consists of:

- the administration of nuclear fuel affairs and services; conservation, discovery, development and rationalised exploitation of nuclear material resources; supervision and regulation of the extraction and processing of nuclear fuel materials and of the manufacture, distribution and use of nuclear fuel elements;
- the production and dissemination of general information, technical documentation and statistics on nuclear fuel affairs and services; and
- grants, loans or subsidies to support the nuclear materials mining industry and the industries processing such materials.

Includes: Price control; measures designed to reduce or increase consumption or production.

Excludes: Nuclear fuel transportation affairs (classified to the appropriate class of COFOG-A 11); disposal of radioactive wastes (classified to *waste management not elsewhere classified* (COFOG-A 0519)).

Other fuels (COFOG-A 0434)

A1C.74 *Other fuels* (COFOG-A 0434) consists of:

- the administration of affairs and services involving fuels such as alcohol, wood and wood wastes, bagasse and other non-commercial fuels;
- the production and dissemination of general information, technical documentation and statistics on availability, production and utilisation of such fuels; and
- grants, loans or subsidies to promote the use of such fuels for the production of energy.

Includes: Price control; measures designed to reduce or increase consumption or production.

Excludes: Forest management (classified to *forestry* (COFOG-A 0422)); wind and solar heat (classified to *electricity* (COFOG-A 0435) or *non-electric energy* (COFOG-A 0436)); geothermal resources (classified to *non-electric energy* (COFOG-A 0436)).

Electricity (COFOG-A 0435)

A1C.75 *Electricity* (COFOG-A 0435) includes both traditional sources of electricity such as thermal or hydro supplies and newer sources such as wind or solar heat. This category consists of:

- the administration of electricity affairs and services; conservation, development and rationalised exploitation of electricity supplies; supervision and regulation of the generation, transmission and distribution of electricity;
- the construction or operation of non-enterprise-type electricity supply systems;
- the production and dissemination of general information, technical documentation and statistics on electricity affairs and services; and
- grants, loans or subsidies to support the electricity supply industry, including such expenditure for the construction of dams and other works designed chiefly to provide electricity.

Includes: Price control; measures designed to reduce or increase consumption or production; wave energy.

Excludes: Non-electric energy produced by wind, solar heat, steam, hot water or hot air (classified to *non-electric energy* (COFOG-A 0436)).

Non-electric energy (COFOG-A 0436)

A1C.76 *Non-electric energy* (COFOG-A 0436) consists of:

- the administration of non-electric energy affairs and services which chiefly concern the production, distribution and utilisation of heat in the form of steam, hot water or hot air;
- the construction or operation of non-enterprise-type systems supplying non-electric energy;
- the production and dissemination of general information; technical documentation and statistics on availability, production and utilisation of non-electric energy; and
- grants, loans or subsidies to promote the use of non-electric energy.

Includes: Geothermal resources; non-electric energy produced by wind or solar heat; price control; measures designed to reduce or increase consumption or production.

Fuel and energy not elsewhere classified (COFOG-A 0439)

A1C.77 *Fuel and energy not elsewhere classified* (COFOG-A 0439) consists of

- the administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programs and budgets relating to fuel and energy affairs and services;
- the preparation and enforcement of legislation and standards related to fuel and energy affairs and services; and
- the production and dissemination of general information, technical documentation and statistics relating to fuel and energy affairs and services.

Includes: Measures designed to reduce or increase consumption or production of both fuel and energy that cannot be classified to *coal and other solid mineral fuels* (COFOG-A 0431), *petroleum and natural gas* (COFOG-A 0432), *nuclear fuel* (COFOG-A 0433), *other fuels* (COFOG-A 0434), *electricity* (COFOG-A 0435) or *non-electric energy* (COFOG-A 0436); fuel and energy affairs and services that cannot be classified to *coal and other solid mineral fuels* (COFOG-A 0431), *petroleum and natural gas* (COFOG-A 0432), *nuclear fuel* (COFOG-A 0433), *other fuels* (COFOG-A 0434), *electricity* (COFOG-A 0435) or *non-electric energy* (COFOG-A 0436).

Excludes: Transportation of fuel (classified to the appropriate class of COFOG-A 11).

Mining, manufacturing and construction (COFOG-A 044)

A1C.78 *Mining, manufacturing and construction* (COFOG-A 044) consists of government expenditure on mining, manufacturing and construction. This category is further classified into:

- *mining of mineral resources other than mineral fuels* (COFOG-A 0441);
- *manufacturing* (COFOG-A 0442); and
- *construction* (COFOG-A 0443).

Mining of mineral resources other than mineral fuels (COFOG-A 0441)

A1C.79 *Mining of mineral resources other than mineral fuels* (COFOG-A 0441) includes metal-bearing minerals, sand, clay, stone, chemical and fertiliser minerals, salt, gemstones, asbestos, gypsum, etc. This category consists of:

- the administration of mining and mineral resource affairs and services; conservation, discovery, development and rationalised exploitation of mineral resources; supervision and regulation of prospecting, mining, marketing and other aspects of mineral production;
- the production and dissemination of general information, technical documentation and statistics on mining and mineral resource affairs and services; and
- grants, loans or subsidies to support commercial mining activities.

Includes: Issuance of licenses and leases; regulation of production rates; inspection of mines for conformity to safety regulations, etc.; advances and bounties to foster mineral developments and production.

Excludes: Coal and other solid fuels (classified to *coal and other solid mineral fuels* (COFOG-A 0431)); petroleum and natural gas (classified to *petroleum and natural gas* (COFOG-A 0432)); nuclear fuel materials (classified to *nuclear fuel* (COFOG-A 0433)).

Manufacturing (COFOG-A 0442)

A1C.80 *Manufacturing* (COFOG-A 0442) consists of:

- the administration of manufacturing affairs and services; development, expansion or improvement of manufacturing; supervision and regulation of the establishment and operation of manufacturing plants; liaison with manufacturers' associations and other organisations interested in manufacturing affairs and services;
- the production and dissemination of general information, technical documentation and statistics on manufacturing activities and manufactured products; and
- grants, loans or subsidies to support manufacturing enterprises.

Includes: Inspection of manufacturing premises for conformity with safety regulations, protection of consumers against dangerous products, etc.; marketing schemes for processed primary products such as meat, timber, dried fruits and packaged fish; payments supporting export marketing; grants, loans and subsidies to road vehicle manufacturers and shipbuilders; grants, loans and subsidies to rolling stock manufacturers; grants, loans and subsidies to aircraft manufacturers.

Excludes: Affairs and services concerning the coal processing industry (classified to *coal and other solid mineral fuels* (COFOG-A 0431)), the petroleum refinery industry (classified to *petroleum and natural gas* (COFOG-A 0432)) or the nuclear fuel industry (classified to *nuclear fuel* (COFOG-A 0433)).

Construction (COFOG-A 0443)

A1C.81 *Construction* (COFOG-A 0443) consists of:

- the administration of construction affairs and services; supervision of the construction industry; development and regulation of construction standards; and
- the production and dissemination of general information, technical documentation and statistics on construction affairs and services.

Includes: Issuance of certificates permitting occupancy; inspection of construction sites for conformity with safety regulations, etc.

Excludes: Grants, loans and subsidies for the construction of housing, industrial buildings, streets, public utilities, cultural facilities, mines, farm buildings, etc. (classified according to function); development and regulation of housing standards (classified to *housing development* (COFOG-A 0611)).

Communication (COFOG-A 045)

A1C.82 *Communication* (COFOG-A 045) consists of government expenditure on communication. This category is further classified into:

- *communication* (COFOG-A 0451).

Communication (COFOG-A 0451)

A1C.83 *Communication* (COFOG-A 0451) consists of:

- the administration of affairs and services concerning construction, extension, improvement, operation and maintenance of communication systems (postal, telephone, telegraph, wireless and satellite communication systems);
- the regulation of communication system operations (granting of franchises, assignment of frequencies, specification of markets to be served and tariffs to be charged, etc.);
- the production and dissemination of general information, technical documentation and statistics on communication affairs and services; and
- grants, loans or subsidies to support the construction, operation, maintenance or upgrading of communication systems.

Includes: Planning and designing communication systems.

Excludes: Radio and satellite navigation aids for water transport (classified to *urban water transport passenger services* (COFOG-A 1131), *urban water transport freight services* (COFOG-A 1132) or *non-urban water transport services* (COFOG-A 1133)) and air transport (classified to *air transport* (COFOG-A 1151)); radio and television broadcasting systems (classified to *broadcasting services* (COFOG-A 0831)).

Other industries (COFOG-A 046)

A1C.84 *Other industries* (COFOG-A 046) consists of government expenditure on other industries. This category is further classified into:

- *distributive trades, storage and warehousing* (COFOG-A 0461);
- *hotels and restaurants* (COFOG-A 0462);
- *tourism* (COFOG-A 0463); and
- *multipurpose development projects* (COFOG-A 0464).

Distributive trades, storage and warehousing (COFOG-A 0461)

A1C.85 Distributive trades, storage and warehousing (COFOG-A 0461) consists of;

- the administration of affairs and services concerning the distributive trade and the storage and warehousing industry;
- the supervision and regulation of wholesale and retail trade (licensing, sales practices, labelling of packaged food and other goods intended for household consumption, inspection of scales and other weighing machines, etc.) and of the storage and warehousing industry (including licensing and control of government-bonded warehouses, etc.);
- the administration of price control and rationing schemes operating through retailers or wholesalers regardless of the type of goods involved or intended consumer; administration and provision of food and other such subsidies to the general public;
- the production and dissemination of information to the trade and to the public on prices, on the availability of goods and on other aspects of the distributive trade and the storage and warehousing industry; compilation and publication of statistics on the distributive trade and the storage and warehousing industry; and
- grants, loans or subsidies to support the distributive trade and the storage and warehousing industry.

Includes: Consumer interest and protection affairs; regulation of weights and measures including metric conversion; inspection of wholesale or retail shops; provision and operation of storage facilities such as grain elevators, bulk sugar terminals and wool stores; distribution and storage of agricultural produce.

Excludes: Administration of price and other controls applied to the producer (classified according to function); food and other such subsidies applicable to particular population groups or individuals (classified to the appropriate class of COFOG-A 10); distribution of town gas (classified to *petroleum and natural gas* (COFOG-A 0432)).

Hotels and restaurants (COFOG-A 0462)

A1C.86 *Hotels and restaurants* (COFOG-A 0462) consists of:

- the administration of affairs and services concerning construction, extension, improvement, operation and maintenance of hotels and restaurants;
- the supervision and regulation of hotel and restaurant operations (regulations governing prices, cleanliness and sales practices, hotel and restaurant licensing, etc.);
- the production and dissemination of general information, technical documentation and statistics on hotel and restaurant affairs and services; and
- grants, loans or subsidies to support the construction, operation, maintenance or upgrading of hotels and restaurants.

Includes: Liquor control commissions.

Tourism (COFOG-A 0463)

A1C.87 *Tourism* (COFOG-A 0463) consists of

- the administration of tourism affairs and services; promotion and development of tourism; liaison with the transport, hotel and restaurant industries and other industries benefitting from the presence of tourists;
- the operation of tourist offices both at home and abroad, etc.; organisation of advertising campaigns including the production and dissemination of promotional literature and the like; and
- compilation and publication of statistics on tourism.

Includes: Tourism information offices; national, regional or local celebrations intended chiefly to attract tourists.

Excludes: National parks and wildlife services (classified to *protection of biodiversity and landscape* (COFOG-A 0541)); caravan parks and camping grounds (classified to *recreational and sporting services* (COFOG-A 0811)); bus transportation connected with tourism (classified to *urban bus transport* (COFOG-A 1121) or *non-urban bus transport* (COFOG-A 1122)).

Multipurpose development projects (COFOG-A 0464)

A1C.88 *Multipurpose development projects* (COFOG-A 0464) includes projects that typically comprise integrated facilities for generation of power, flood control, irrigation, navigation and recreation. This category consists of:

- the administration of affairs and services concerning construction, extension, improvement, operation and maintenance of multipurpose projects;
- the production and dissemination of general information, technical documentation and statistics on multipurpose development project affairs and services; and
- grants, loans or subsidies to support the construction, operation, maintenance or upgrading of multipurpose development projects.

Excludes: Projects with one main function and other functions that are secondary (classified according to main function); construction of community centres, multipurpose halls and civic centres mainly used for recreation and cultural pursuits (classified to *community centres and halls* (COFOG-A 0891)).

Research and development - economic affairs (COFOG-A 047)

A1C.89 *Research and development - economic affairs* (COFOG-A 047) consists of government expenditure on research and development relating to economic affairs. Definitions of basic research, applied research and experimental development are given under COFOG-A 014 and COFOG-A 015. This category is further classified into:

- *research and development - general economic, commercial and labour affairs* (COFOG-A 0471);
- *research and development - agriculture, forestry, fishing and hunting* (COFOG-A 0472);
- *research and development - fuel and energy* (COFOG-A 0473);
- *research and development - mining, manufacturing and construction* (COFOG-A 0474);
- *research and development - communication* (COFOG-A 0475); and
- *research and development - other industries* (COFOG-A 0476).

Research and development - general economic, commercial and labour affairs (COFOG-A 0471)

A1C.90 *Research and development - general economic, commercial and labour affairs* (COFOG-A 0471) consists of:

- the administration and operation of government agencies engaged in applied research and experimental development related to general economic, commercial and labour affairs; and
- grants, loans or subsidies to support applied research and experimental development related to general economic, commercial and labour affairs undertaken by non-government bodies such as research institutes and universities.

Excludes: Basic research (classified to *basic research* (COFOG-A 0141))

Research and development - agriculture, forestry, fishing and hunting (COFOG-A 0472)

A1C.91 *Research and development - agriculture, forestry, fishing and hunting* (COFOG-A 0472) consists of:

- the administration and operation of government agencies engaged in applied research and experimental development related to agriculture, forestry, fishing and hunting; and
- grants, loans or subsidies to support applied research and experimental development related to agriculture, forestry, fishing and hunting undertaken by non-government bodies such as research institutes and universities.

Includes: Research into land conservation, reclamation and expansion; research into problems of land reform and settlement; research into fertiliser use and other means of improving output; research into veterinary medicine and animal husbandry; research into eradication or control of pests, vermin, plant diseases and other destructive agents; veterinary medicine and animal husbandry costs connected to agricultural research; research into all aspects of forest management and exploitation; research into fish management and related problems of the fishing industry; research into wild animal management and related problems of the hunting industry.

Excludes: Basic research (classified to *basic research* (COFOG-A 0141)).

Research and development- fuel and energy (COFOG-A 0473)

A1C.92 *Research and development - fuel and energy* (COFOG-A 0473) consists of:

- the administration and operation of government agencies engaged in applied research and experimental development related to fuel and energy; and
- grants, loans or subsidies to support applied research and experimental development related to fuel and energy undertaken by non-government bodies such as research institutes and universities.

Excludes: Basic research (classified to *basic research* (COFOG-A 0141)).

Research and development - mining, manufacturing and construction (COFOG-A 0474)

A1C.93 *Research and development - mining, manufacturing and construction* (COFOG-A 0474) consists of:

- the administration and operation of government agencies engaged in applied research and experimental development related to mining, manufacturing and construction; and
- grants, loans or subsidies to support applied research and experimental development related to mining, manufacturing and construction undertaken by non-government bodies such as research institutes and universities.

Includes: Research into manufacturing methods, materials and industrial management; research into construction methods, materials and productivity affecting construction.

Excludes: Basic research (classified to *basic research* (COFOG-A 0141)).

Research and development - communication (COFOG-A 0475)

A1C.94 Research and development - communication (COFOG-A 0475) consists of;

- the administration and operation of government agencies engaged in applied research and experimental development related to communication; and
- grants, loans or subsidies to support applied research and experimental development related to communication undertaken by non-government bodies such as research institutes and universities.

Includes: Research into communication equipment and technology.

Excludes: Basic research (classified to *basic research* (COFOG-A 0141)).

Research and development - other industries (COFOG-A 0476)

A1C.95 *Research and development - other industries* (COFOG-A 0476) consists of:

- the administration and operation of government agencies engaged in applied research and experimental development related to other sectors; and
- grants, loans or subsidies to support applied research and experimental development related to other sectors undertaken by non-government bodies such as research institutes and universities.

Includes: Distributive trades, storage and warehousing; hotels and restaurants; tourism; multipurpose development projects; saleyards and markets.

Excludes: Basic research (classified to *basic research* (COFOG-A 0141)); research and development related to transport (classified to *research and development - transport* (COFOG-A 1181)).

Economic affairs not elsewhere classified (COFOG-A 049)

A1C.96 *Economic affairs not elsewhere classified (COFOG-A 049)* consists of government expenditure on economic affairs not elsewhere classified. This category is further classified into:

- economic affairs not elsewhere classified (COFOG-A 0499).

Economic affairs not elsewhere classified (COFOG-A 0499)

A1C.97 *Economic affairs not elsewhere classified* (COFOG-A 0499) consists of:

- the administration, operation or support of activities relating to general and sectoral economic affairs that cannot be classified to *general economic, commercial and labour affairs* (COFOG-A 041), *agriculture, forestry, fishing and hunting* (COFOG-A 042), *fuel and energy* (COFOG-A 043), *mining, manufacturing and construction* (COFOG-A 044), *communication* (COFOG-A 045), *other industries* (COFOG-A 046) or *research and development - economic affairs* (COFOG-A 047).

Includes: Fish markets; produce markets; saleyards.

Excludes: General public services not connected with a specific function (classified to *general public services not elsewhere classified* (COFOG-A 0199)).

ENVIRONMENTAL PROTECTION (COFOG-A 05)

A1C.98 *Environmental protection* (COFOG-A 05) consists of government expenditure on environmental protection. This category is further classified into:

- *waste management* (COFOG-A 051);
- *waste water management* (COFOG-A 052);
- *pollution abatement* (COFOG-A 053);
- *protection of biodiversity and landscape* (COFOG-A 054);
- *research and development - environmental protection* (COFOG-A 055); and
- *environmental protection not elsewhere classified* (COFOG-A 059).

Waste management (COFOG-A 051)

A1C.99 *Waste management* (COFOG-A 051) consists of government expenditure on waste management. This group covers collection, treatment and disposal of waste. Waste collection includes sweeping of street, squares, paths, markets, public gardens, parks, etc.; collection of all types of waste, whether selective by type of product or undifferentiated covering all waste, and their transport to place of treatment or discharge. Waste treatment includes any method or process designed to change the physical, chemical or biological character or composition of any waste so as to neutralise it, to render it non-hazardous, to make it safer for transport, to make it amenable for recovery or storage or to reduce it in volume. Waste disposal includes final placement of waste for which no further use is foreseen by landfill, containment, underground disposal, dumping at sea or any other relevant disposal method.

A1C.100 *Waste management* (COFOG-A 051) is further classified into:

- *waste recycling* (COFOG-A 0511); and
- *waste management not elsewhere classified* (COFOG-A 0519).

Waste recycling (COFOG-A 0511)

A1C.101 *Waste recycling* (COFOG-A 0511) consists of:

- the administration, supervision, inspection, operation or support of waste collection, treatment and disposal systems for waste intended for recycling; and
- grants, loans or subsidies to support the operation, construction, maintenance or upgrading of such systems.

<u>Includes</u>: Monitoring of generation and storage of waste intended for recycling; transport to place of treatment or discharge.

<u>Excludes</u>: Collection, transport, treatment and disposal of solid waste not intended for recycling (classified to *waste management not elsewhere classified* (COFOG-A 0519)); treatment and disposal of waste water (classified to *reused or recycled waste water management* (COFOG-A 0521) or *waste water management not elsewhere classified* (COFOG-A 0529)).

Waste management not elsewhere classified (COFOG-A 0519)

A1C.102 *Waste management not elsewhere classified* (COFOG-A 0519) consists of:

- the administration, supervision, inspection, operation or support of waste collection, treatment and disposal systems for waste not intended for recycling; and
- grants, loans or subsidies to support the operation, construction, maintenance or upgrading of such systems.

<u>Includes</u>: Collection, treatment and disposal of nuclear waste; development, expansion or operation of household garbage systems and other waste systems; trade and industrial waste disposal; cleaning of streets, gutters, foreshores and recreation areas; special rubbish clean-ups and anti-litter enforcement; monitoring of waste generation and storage of waste not intended for recycling; transport to place of treatment or discharge; management of municipal tips.

<u>Excludes</u>: Collection, transport, treatment and disposal of solid waste intended for recycling (classified to *waste recycling* (COFOG-A 0511)); treatment and disposal of waste water (classified to *reused or recycled waste water management* (COFOG-A 0521) or *waste water management not elsewhere classified* (COFOG-A 0529)).

Waste water management (COFOG-A 052)

A1C.103 *Waste water management* (COFOG-A 052) consists of government expenditure on waste water management. This group covers sewage system operation and waste water treatment. Sewage system operation includes management and construction of the system of collectors, pipelines, conduits and pumps to evacuate any waste water (rainwater, domestic and other available waste water) from the points of generation to either a sewage treatment plant or to a point where waste water is discharged to surface water. Waste water treatment includes any mechanical, biological or advanced process to render waste water fit to meet applicable environment standards or other quality norms.

A1C.104 *Waste water management* (COFOG-A 052) is further classified into:

- reused or recycled waste water management (COFOG-A 0521); and
- waste water management not elsewhere classified (COFOG-A 0529).

Reused or recycled waste water management (COFOG-A 0521)

A1C.105 *Reused or recycled waste water management* (COFOG-A 0521) consists of:

- the administration, supervision, inspection, operation or support of activities relating to reused or recycled waste water management; and
- grants, loans or subsidies to support the operation, construction, maintenance or upgrading of systems relating to reused or recycled water.

Includes: Sewerage system operation; management and construction of systems of collectors, pipelines, conduits and pumps to reticulate any waste water (rainwater, domestic and other available waste water) from the points of generation to reuse point; any mechanical, biological or advanced process to render waste water fit to meet environmental and hygiene standards or quality norms for reuse; systems to allow water use or reuse without treatment where possible including wash water (industrial, commercial and other), greywater systems, rainwater storage systems and other secondary uses; treatment of waste water to environmental or quality standards for reuse and recycling.

Excludes: Restoration of water bodies (classified to *pollution abatement* (COFOG-A 0531)); potable water supply services (classified to *water supply* (COFOG-A 0631)).

Waste water management not elsewhere classified (COFOG-A 0529)

A1C.106 *Waste water management not elsewhere classified* (COFOG-A 0529) consists of:

- the administration, supervision, inspection, operation or support of sewage systems and waste water treatment for waste water not intended for reuse or recycling; and
- grants, loans or subsidies to support the operation, construction, maintenance or upgrading of such systems.

Includes: Deep mains town systems; effluent drainage systems; septic tank cleaning and inspection; nightsoil disposal (sanitary service); urban drainage systems and storm water drains including the linking or lining of creeks and the provision of open or deep draining systems; any mechanical, biological or advanced process to render waste water fit to meet environmental standards or quality norms other than for reuse.

Excludes: Construction of drains associated with road works (classified to *road construction* (COFOG-A 1113)); rural flood mitigation and agricultural drainage (classified to *agriculture* (COFOG-A 0421)); restoration of water bodies (classified to *pollution abatement* (COFOG-A 0531)); potable water supply services (classified to *water supply* (COFOG-A 0631)).

Pollution abatement (COFOG-A 053)

A1C.107 *Pollution abatement* (COFOG-A 053) consists of government expenditure on pollution abatement. This category covers expenditure on activities relating to ambient air and climate protection, soil and ground-water protection, noise and vibration abatement and protection against radiation. These activities include construction, maintenance and operation of monitoring systems and stations (other than weather stations); construction of noise embankments, hedges and other anti-noise facilities including the resurfacing of sections of urban highways or railways with noise reducing surfaces; measures to clean pollution in water bodies; measures to control or prevent the emissions of greenhouse gases and pollutants that adversely affect the quality of the air; construction, maintenance and operation of installations for the decontamination of polluted soils and for the storage of pollutant products; transportation of pollutant products.

A1C.108 *Pollution abatement* (COFOG-A 053) is further classified into:

- *pollution abatement* (COFOG-A 0531).

Pollution abatement (COFOG-A 0531)

A1C.109 *Pollution abatement* (COFOG-A 0531) consists of:

- the administration, supervision, inspection, operation or support of activities relating to pollution abatement and control; and
- grants, loans or subsidies to support activities relating to pollution abatement and control.

Includes: Construction, maintenance and operation of monitoring systems and stations such as stations to monitor noise levels near airports; development and monitoring of standards covering pollution and air quality; prevention of pollution through use of cleaner technologies or cleaner products; treatment of exhaust gases; monitoring and control of the concentration of pollutants and air quality; development and use of anti-pollution devices; decontaminating and cleaning up surface water following accidental pollution.

Excludes: Waste water management (classified to *reused or recycled waste water management* (COFOG-A 0521) or *waste water management not elsewhere classified* (COFOG-A 0529)); activities carried out for economic reasons such as improved agricultural production (classified to *agriculture* (COFOG-A 0421)).

Protection of biodiversity and landscape (COFOG-A 054)

A1C.110 *Protection of biodiversity and landscape* (COFOG-A 054) consists of government expenditure on protection of biodiversity and landscape. This category covers activities relating to the protection of fauna and flora species (including the reintroduction of extinct species and the recovery of species menaced by extinction), the protection of habitats (including the management of natural parks and reserves) and the protection of landscapes for their aesthetic values (including the reshaping of damaged landscapes for the purpose of strengthening their aesthetic value and the rehabilitation of abandoned mines and quarry sites).

A1C.111 *Protection of biodiversity and landscape* (COFOG-A 054) is further classified into:

- *protection of biodiversity and landscape* (COFOG-A 0541).

Protection of biodiversity and landscape (COFOG-A 0541)

A1C.112 *Protection of biodiversity and landscape* (COFOG-A 0541) consists of:

- the administration, supervision, inspection, operation or support of activities relating to the protection of biodiversity and landscape; and
- grants, loans or subsidies to support activities relating to the protection of biodiversity and landscape.

Includes: National parks and wildlife services; environmental protection programs such as the control and prevention of erosion of beaches and foreshores; flood mitigation in urban areas; places on the Commonwealth Heritage List and the National Heritage List such as historic houses and sites which are part of national parks and wildlife services; protection of native plants, animals and habitats; creation and maintenance of nature conservation areas; administration of tree protection regulations; new plantings to create 'green corridors'; measures to protect and restore ecosystems such as wetlands, riparian, estuarine and dune systems or areas of remnant vegetation; measures to control non-native feral animals such as foxes and rabbits; measures to control noxious weeds such as weeds of national significance; wildlife sanctuaries where animals are protected but not actively managed; fire control activities carried out in national parks, state reserves and crown land; subsidies for agricultural and grazing practices aimed at reducing harm to soils and water bodies; protection and remediation of soil, ground-water and surface water from physical degradation.

Excludes: Operation and support of reforestation and pest and disease control (classified to *forestry* (COFOG-A 0422)); maintenance of public parks and gardens (classified to *recreational and sporting services* (COFOG-A 0811)); wildlife parks where animals are actively managed (classified to *cultural services not elsewhere classified* (COFOG-A 0829)); restoration of water bodies (classified to *pollution abatement* (COFOG-A 0531)); activities carried out for economic reasons such as improved agricultural production (classified to *agriculture* (COFOG-A 0421)).

Research and development - environmental protection (COFOG-A 055)

A1C.113 *Research and development - environmental protection* (COFOG-A 055) consists of government expenditure on research and development relating to environmental protection. Definitions of basic research, applied research and experimental development are given under COFOG-A 014 and COFOG-A 015. This category is further classified into:

- research and development - environmental protection (COFOG-A 0551).

Research and development - environmental protection (COFOG-A 0551)

A1C.114 *Research and development - environmental protection* (COFOG-A 0551) consists of:

- the administration and operation of government agencies engaged in applied research and experimental development related to environmental protection; and
- grants, loans or subsidies to support applied research and experimental development related to environmental protection undertaken by non-government bodies such as research institutes and universities.

Includes: Research and experimental development into problems of pollution abatement and control; research and development into protection and remediation of soil and water bodies.

Excludes: Basic research (classified to *basic research* (COFOG-A 0141)).

Environmental protection not elsewhere classified (COFOG-A 059)

A1C.115 *Environmental protection not elsewhere classified* (COFOG-A 059) consists of government expenditure on environmental protection not elsewhere classified. This category is further classified into:

- environmental protection not elsewhere classified (COFOG-A 0599).

Environmental protection not elsewhere classified (COFOG-A 05)

A1C.116 *Environmental protection not elsewhere classified* (COFOG-A 05) consists of:

- the administration, management, regulation, supervision, operation and support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programs and budgets for the promotion of environmental protection; preparation and enforcement of legislation and standards for the provision of environmental protection services; production and dissemination of general information, technical documentation and statistics on environmental protection.

Includes: Environmental protection affairs and services that cannot be classified to *waste management* (COFOG-A 051), *waste water management* (COFOG-A 052), *pollution abatement* (COFOG-A 053), *protection of biodiversity and landscape* (COFOG-A 054) or *research and development - environmental protection* (COFOG-A 055).

HOUSING AND COMMUNITY AMENITIES (COFOG-A 06)

A1C.117 *Housing and community amenities* (COFOG-A 06) consists of government expenditure on housing and community amenities. This category is further classified into:

- *housing development* (COFOG-A 061);
- *community development* (COFOG-A 062);
- *water supply* (COFOG-A 063);
- *street lighting* (COFOG-A 064);
- *research and development - housing and community amenities* (COFOG-A 065); and
- *housing and community amenities not elsewhere classified* (COFOG-A 069).

Housing development (COFOG-A 061)

A1C.118 *Housing development* (COFOG-A 061) consists of government expenditure on housing development. This category is further classified into:

- *housing development* (COFOG-A 0611).

Housing development (COFOG-A 0611)

A1C.119 *Housing development* (COFOG-A 0611) consists of:

- the administration of housing development affairs and services; promotion, monitoring and evaluation of housing development activities whether or not the activities are under the auspices of public authorities; development and regulation of housing standards;
- slum clearance related to provision of housing; acquisition of land needed for construction of dwellings; construction or purchase and remodelling of dwelling units for the general public or for people with special needs;
- the production and dissemination of public information, technical documentation and statistics on housing development affairs and services; and
- grants, loans or subsidies to support the expansion, improvement or maintenance of the housing stock.

Includes: Administration of rent controls and eligibility standards for public housing; provision of accommodation within the community to members of the defence force; planning of housing development including housing subdivisions.

Excludes: Development and regulation of construction standards (classified to *construction* (COFOG-A 0443)); construction methods and materials (classified to *construction* (COFOG-A 0443)); supervision of the construction industry, building inspection and certification (classified to *construction* (COFOG-A 0443)); cash benefits and benefits in kind to help households meet the cost of housing (classified to *housing* (COFOG-A 1051)); provision of accommodation on Defence bases to members of the defence force (classified to *military defence* (COFOG-A 0211)); provision of housing for social protection purposes (classified to the appropriate class of COFOG-A 10).

Community development (COFOG-A 062)

A1C.120 *Community development* (COFOG-A 062) consists of government expenditure on community development. This category is further classified into:

- *indigenous community development* (COFOG-A 0621); and
- *community development not elsewhere classified* (COFOG-A 0629).

Indigenous community development (COFOG-A 0621)

A1C.121 *Indigenous community development* (COFOG-A 0621) includes government expenditure on development in indigenous communities. Indigenous communities are those which have a predominantly indigenous population and where tribal ways and traditional roles are maintained. They are usually remote from major service centres and include communities on Indigenous land and within pastoral leases, reserves, town camps and transit camps. This category consists of:

- the administration, operation or support of Indigenous community development affairs and services; and
- grants, loans or subsidies to support activities relating to Indigenous community development.

Community development not elsewhere classified (COFOG-A 0629)

A1C.122 *Other community development* (COFOG-A 0629) consists of:

- the administration of community development affairs and services; administration of zoning laws and land use and building regulations;
- the planning of new communities or of rehabilitated communities; planning the improvement and development of facilities such as housing, industry, public utilities, health, education, culture, recreation, etc. for communities; preparation of schemes for financing planned developments; and
- the production and dissemination of general information, technical documentation and statistics on community development affairs and services.

Includes: Relocating existing populations; administration of concessions to decentralised industries.

Excludes: Plan implementation, that is, the actual construction of housing, industrial buildings, streets, public utilities, cultural facilities, etc. (classified according to function); agrarian land reform and land settlement (classified to *agriculture* (COFOG-A 0421)); administration of construction standards (classified to *construction* (COFOG-A 0443)); administration of housing standards (classified to *housing development* (COFOG-A 0611)); Indigenous community development (classified to *indigenous community development* (COFOG-A 0621)).

Water supply (COFOG-A 063)

A1C.123 *Water supply* (COFOG-A 063) consists of government expenditure on water supply. This category is further classified into:

- *water supply* (COFOG-A 0631).

Water supply (COFOG-A 0631)

A1C.124 *Water supply* (COFOG-A 0631) consists of:

- the administration of water supply affairs; assessment of future needs and determination of availability in terms of such assessment; supervision and regulation of all facets of potable water supply including water purity, price and quantity controls;
- the construction or operation of non-enterprise-type of water supply systems;
- the production and dissemination of general information, technical documentation and statistics on water supply affairs and services; and
- grants, loans or subsidies to support the operation, construction, maintenance or upgrading of water supply systems.

Excludes: Irrigation systems (classified to *agriculture* (COFOG-A 0421)); multipurpose development projects (classified to *multipurpose development projects* (COFOG-A 0464)); collection and treatment of waste water (classified to *reused or recycled waste water management* (COFOG-A 0521) or *waste water management not elsewhere classified* (COFOG-A 0529)); supply of systems to allow water use or reuse (classified to *reused or recycled waste water management* (COFOG-A 0521)).

Street lighting (COFOG-A 064)

A1C.125 *Street lighting* (COFOG-A 064) consists of government expenditure on street lighting. This category is further classified into:

- *street lighting* (COFOG-A 0641).

Street lighting (COFOG-A 0641)

A1C.126 *Street lighting* (COFOG-A 0641) consists of:

- the administration of street lighting affairs; development and regulation of street lighting standards; and
- installation, operation, maintenance, upgrading, etc. of street lighting.

Includes: Design of street lighting.

Excludes: Lighting affairs and services associated with the construction and operation of highways (classified to *road maintenance* (COFOG-A 1111) or *road construction* (COFOG-A 1113)); installation of traffic signals (classified to *road construction* (COFOG-A 1113)); maintenance, repairs and operating costs of traffic signals (classified to *road maintenance* (COFOG-A 1111)).

Research and development - housing and community amenities (COFOG-A 065)

A1C.127 *Research and development - housing and community amenities* (COFOG-A 065) consists of government expenditure on research and development relating to housing and community amenities. Definitions of basic research, applied research and experimental development are given under COFOG-A 014 and COFOG-A 015. This category is further classified into:

- *research and development - housing and community amenities* (COFOG-A 0651).

Research and development - housing and community amenities (COFOG-A 0651)

A1C.128 *Research and development - housing and community amenities* (COFOG-A 0651) consists of:

- the administration and operation of government agencies engaged in applied research and experimental development related to housing and community amenities; and
- grants, loans or subsidies to support applied research and experimental development related to housing and community amenities undertaken by non-government bodies such as research institutes and universities.

Includes: Research into the conservation, collection, purification and distribution of water.

Excludes: Basic research (classified to *basic research* (COFOG-A 0141)); applied research and experimental development into construction methods or materials (classified to *research and development - mining, manufacturing and construction* (COFOG-A 0474)).

Housing and community amenities not elsewhere classified (COFOG-A 069)

A1C.129 *Housing and community amenities not elsewhere classified* (COFOG-A 069) consists of government expenditure on housing and community amenities not elsewhere classified. This category is further classified into:

- *housing not elsewhere classified* (COFOG-A 0698); and
- *community amenities not elsewhere classified* (COFOG-A 0699).

Housing not elsewhere classified (COFOG-A 0698)

A1C.130 *Housing not elsewhere classified* (COFOG-A 0698) consists of:

- administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programs and budgets relating to housing; preparation and enforcement of legislation and standards relating to housing; production and dissemination of general information, technical documentation and statistics relating to housing.

Includes: Affairs and services relating to housing that cannot be classified to *housing development* (COFOG-A 061), *community development* (COFOG-A 062) or *research and development - housing and community amenities* (COFOG-A 065).

Excludes: Child care services and subsidies for child care assistance (classified to *family and children* (COFOG-A 1031)); community health services (classified to the appropriate class of COFOG-A 076).

Community amenities not elsewhere classified (COFOG-A 0699)

A1C.131 *Community amenities not elsewhere classified* (COFOG-A 0699) consists of:

- administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programs and budgets relating to community amenities; preparation and enforcement of legislation and standards relating to community amenities; production and dissemination of general information, technical documentation and statistics relating to community amenities.

Includes: Public toilets; pedestrian shopping malls; drinking fountains; cemeteries and crematoriums; affairs and services relating to community amenities that cannot be classified to *water supply* (COFOG-A 063), *street lighting* (COFOG-A 064) or *research and development - housing and community amenities* (COFOG-A 065).

Excludes: Public toilets at recreational areas (classified to the appropriate class of COFOG-A 081); street lighting (classified to *street lighting* (COFOG-A 0641)).

HEALTH (COFOG-A 07)

A1C.132 *Health* (COFOG-A 07) consists of government expenditure on health. Government expenditure on health includes expenditures on services provided to individual persons and services provided on a collective basis. Expenditures on individual services are allocated to COFOG-A 071 through COFOG-A 076; expenditures on collective services are assigned to COFOG-A 077 and COFOG-A 079. Collective health services are concerned with matters such as formulation and administration of government policy; setting and enforcement of standards for medical and paramedical personnel and for hospitals, clinics, surgeries, etc.; regulation and licensing of providers of health services; and applied research and experimental development into medical and health related matters. However, overhead expenses connected with administration or functioning of a group of hospitals, clinics, surgeries, etc. are considered to be individual expenditures and are classified to COFOG-A 071 through COFOG-A 076 as appropriate.

A1C.133 *Health* (COFOG-A 07) is further classified into:

- *medical products, appliances and equipment* (COFOG-A 071);
- *outpatient services* (COFOG-A 072);
- *hospital services* (COFOG-A 073);
- *mental health institutions* (COFOG-A 074);
- *community health services* (COFOG-A 075);
- *public health services* (COFOG-A 076);
- *research and development – health* (COFOG-A 077); and
- *health not elsewhere classified* (COFOG-A 079).

Medical products, appliances and equipment (COFOG-A 071)

A1C.134 *Medical products, appliances and equipment* (COFOG-A 071) consists of government expenditure on medical products, appliances and equipment. This category covers expenditure on medicaments, prostheses, medical appliances and equipment and other health related products obtained by individuals or households, either with or without a prescription, usually from dispensing chemists, pharmacists or medical equipment suppliers. These items are intended for consumption or use outside a health facility or institution. Such products supplied directly to outpatients by medical, dental and paramedical practitioners or to in-patients by hospitals and the like are included in COFOG-A 072 or COFOG-A 073.

A1C.135 *Medical products, appliances and equipment* (COFOG-A 071) is further classified into:

- *pharmaceutical products* (COFOG-A 0711);
- *other medical products* (COFOG-A 0712); and
- *therapeutic appliances and equipment* (COFOG-A 0713).

Pharmaceutical products (COFOG-A 0711)

A1C.136 *Pharmaceutical products* (COFOG-A 0711) consists of:

- the provision of pharmaceutical products such as medicinal preparations, medicinal drugs, patent medicines, serums and vaccines, vitamins and minerals, cod liver oil and halibut liver oil, oral contraceptives; and
- the administration, operation or support of the provision of pharmaceutical products.

Other medical products (COFOG-A 0712)

A1C.137 *Other medical products* (COFOG-A 0712) consists of:

- the provision of medical products such as clinical thermometers, adhesive and non-adhesive bandages, hypodermic syringes, first aid kits, hot water bottles and ice bags, medical hosiery items such as elasticated stockings and kneepads, pregnancy tests, condoms and other mechanical contraceptive devices; and
- the administration, operation or support of the provision of prescribed other medical products.

Therapeutic appliances and equipment (COFOG-A 0713)

A1C.138 *Therapeutic appliances and equipment* (COFOG-A 0713) consists of:

- the provision of therapeutic appliances and equipment such as corrective eyeglasses and contact lenses, hearing aids, glass eyes, artificial limbs and other prosthetic devices, orthopaedic braces and supports, orthopaedic footwear, surgical belts, trusses and supports, neck braces, medical massage equipment and health lamps, powered and unpowered wheelchairs and invalid carriages, 'special' beds, crutches, electronic and other devices for monitoring blood pressure, etc.; and

- the administration, operation or support of the provision of prescribed therapeutic appliances and equipment.

Includes: Dentures but not fitting costs; repair of therapeutic appliances and equipment.

Excludes: Hire of therapeutic equipment (classified to *paramedical services* (COFOG-A 0724)); denture fitting costs (classified to *dental services* (COFOG-A 0723)); prostheses used in operations (classified to *general hospital services* (COFOG-A 0731) or *specialised hospital services* (COFOG-A 0732)).

Outpatient services (COFOG-A 072)

A1C.139 *Outpatient services* (COFOG-A 072) consists of government expenditure on outpatient services. This category covers medical, dental and paramedical services delivered to outpatients by medical, dental and paramedical practitioners and auxiliaries. These services are provided by hospitals to non-admitted patients. The services may be delivered at home, in individual or group consulting facilities, dispensaries or the outpatient clinics of hospitals and the like. Outpatients services include the medicaments, prostheses, medical appliances and equipment and other health related products supplied directly to outpatients by medical, dental and paramedical practitioners and auxiliaries. Medical, dental and paramedical services provided to in-patients by hospitals and the like are included in COFOG-A 073.

A1C.140 *Outpatient services* (COFOG-A 072) is further classified into:

- *general medical services* (COFOG-A 0721);
- *specialised medical services* (COFOG-A 0722);
- *dental services* (COFOG-A 0723); and
- *paramedical services* (COFOG-A 0724).

General medical services (COFOG-A 0721)

A1C.141 *General medical services* (COFOG-A 0721) includes the services provided by general medical clinics and general medical practitioners. General medical clinics are defined as institutions which chiefly provide outpatient services which are not limited to a particular medical specialty and which are chiefly delivered by qualified medical doctors. General medical practitioners do not specialise in a particular medical speciality. This category consists of:

- the provision of general medical services; and
- the administration, inspection, operation or support of general medical services delivered by general medical clinics and general medical practitioners.

Includes: Outreach services.

Excludes: Services of medical analysis laboratories and x-ray centres (classified to *paramedical services* (COFOG-A 0724)).

Specialised medical services (COFOG-A 0722)

A1C.142 *Specialised medical services* (COFOG-A 0722) covers the services of specialised medical clinics and specialist medical practitioners. Specialised medical clinics and specialist medical practitioners differ from general medical clinics and general medical practitioners in that their services are limited to treatment of a particular condition, disease, medical procedure or class of patient. This category consists of:

- the provision of specialised medical services; and
- the administration, inspection, operation or support of specialised medical services delivered by specialised medical clinics and specialist medical practitioners.

Includes: Services of orthodontic specialists; accident and emergency services.

Excludes: Dental clinics and dentists (classified to *dental services* (COFOG-A 0723)); services of medical analysis laboratories and x-ray centres (classified to *paramedical services* (COFOG-A 0724)).

Dental services (COFOG-A 0723)

A1C.143 *Dental services* (COFOG-A 0723) covers the services of general or specialist dental clinics and dentists, oral hygienists or other dental operating auxiliaries. Dental clinics provide outpatient services. They are not necessarily supervised or staffed by dentists; they may be supervised or staffed by oral hygienists or other dental auxiliaries. This category consists of:

- the provision of dental services to outpatients; and
- the administration, inspection, operation and support of dental services delivered by general or specialist dental clinics and by dentists, oral hygienists or other dental auxiliaries.

Includes: Fitting costs of dentures.

Excludes: Dentures (classified to *therapeutic appliances and equipment* (COFOG-A 0713)); services of orthodontic specialists (classified to *specialised medical services* (COFOG-A 0722)); services of medical analysis laboratories and x-ray centres (classified to *paramedical services* (COFOG-A 0724)).

Paramedical services (COFOG-A 0724)

A1C.144 *Paramedical services* (COFOG-A 0724) consists of:

- the provision of paramedical health services to outpatients; and
- the administration, inspection, operation or support of health services delivered by clinics supervised by nurses, midwives, physiotherapists, occupational therapists, speech therapists or other paramedical personnel and of health services delivered by nurses, midwives and paramedical personnel in hospitals, non-consulting rooms, in patients' homes or other non-medical institutions.

Includes: Acupuncturists, chiropodists, chiropractors, optometrists, practitioners of traditional medicine, etc.; medical analysis laboratories and x-ray centres; hire of therapeutic equipment; medically prescribed corrective gymnastic therapy; outpatient thermal bath or seawater treatments.

Excludes: Public health service laboratories (classified to *public health services* (COFOG-A 0761)); laboratories engaged in determining the causes of disease (classified to *research and development – health* (COFOG-A 0771)).

Hospital services (COFOG-A 073)

A1C.145 *Hospital services* (COFOG-A 073) consists of government expenditure on hospital services. Hospitalisation is defined as occurring when a patient is accommodated in a hospital for the duration of the treatment. Hospital day-care and home based hospital treatment is included, as are hospices for terminally ill persons. This category covers the services of general and specialist hospitals, the services of medical centres, maternity centres, nursing homes and convalescent homes which chiefly provide in-patient services, the services of military base hospitals, the services of institutions serving old people in which medical monitoring is an essential component and the services of rehabilitation centres providing in-patient health care and rehabilitative therapy where the objective is to treat the patient rather than to provide long-term support. Hospitals are defined as institutions which offer in-patient care under direct supervision of qualified medical doctors. Medical centres, maternity centres, nursing homes and convalescent homes also provide in-patient care but their services are supervised and frequently delivered by staff of lower qualification then medical doctors. This category does not cover facilities such as military field hospitals (classified to *military defence* (COFOG-A 0211)), surgeries, clinics and dispensaries devoted exclusively to outpatient care (classified to *outpatient services* (COFOG-A 072)), institutions for disabled persons and rehabilitation centres providing primarily long-term support (classified to *disability* (COFOG-A 1002)), retirement homes for elderly persons (classified to *old age* (COFOG-A 1011)). Neither does it cover payments to patients for loss of income due to hospitalisation (classified to *sickness* (COFOG-A 1001)). Hospital services include medicaments, prostheses, medical appliances and equipment and other health related products supplied to hospital patients. It also includes non-medical expenditure of hospitals on administration, non-medical staff, food and drink, accommodation (including staff accommodation), etc.

A1C.146 *Hospital services* (COFOG-A 073) is further classified into:

- *general hospital services* (COFOG-A 0731);
- *specialised hospital services* (COFOG-A 0732);
- *medical and maternity centre services* (COFOG-A 0733); and
- *nursing and convalescent home services* (COFOG-A 0734).

General hospital services (COFOG-A 0731)

A1C.147 *General hospital services* (COFOG-A 0731) consists of:

- the provision of general hospital services; and
- the administration, inspection, operation or support of hospitals that do not limit their services to a particular specialty.

Includes: Designated psychiatric or psycho-geriatric units within hospitals; care of 'nursing-home type patients' (defined by the Health Insurance Act 1973 as patients in a hospital who have been provided with accommodation and nursing care, as an end in itself, for a continuous period exceeding 35 days) in hospitals; free standing clinics; alcohol and drug treatment centres.

Excludes: Medical centres not under the direct supervision of a qualified medical doctor (classified to *medical and maternity centre services* (COFOG-A 0733)); health research (classified to *research and development - health* (COFOG-A 0771)); admitted patients in specialised psychiatric hospitals (classified to *mental health institutions* (COFOG-A 0741)).

Specialised hospital services (COFOG-A 0732)

A1C.148 *Specialised hospital services* (COFOG-A 0732) covers services provided by specialised hospitals. Specialised hospitals differ from general hospitals in that their services are limited to treatment of a particular condition, disease or class of patient, for example, diseases of the chest and tuberculosis, leprosy, cancer, otorhinolaryngology, psychiatry, obstetrics, paediatrics, dental and so forth. This category consists of:

- the provision of specialised hospital services; and
- the administration, inspection, operation or support of hospitals that limit their services to a particular medical specialty.

Excludes: Medical centres not under the direct supervision of a qualified medical doctor (classified to *medical and maternity centre services* (COFOG-A 0733)); health research (classified to *research and development - health* (COFOG-A 0771)); admitted patients in specialised psychiatric hospitals (classified to *mental health institutions* (COFOG-A 0741)).

Medical and maternity centre services (COFOG-A 0733)

A1C.149 *Medical and maternity centre services* (COFOG-A 0733) consists of;

- the provision of medical and maternity centre services; and
- the administration, inspection, operation or support of medical and maternity centre services.

Includes: Medical centres not under the direct supervision of a qualified medical doctor.

Nursing and convalescent home services (COFOG-A 0734)

A1C.150 *Nursing and convalescent home services* (COFOG-A 0734) covers services provided by nursing and convalescent homes. Nursing and convalescent homes provide in-patient services to persons recovering from surgery or a debilitating disease or condition that requires chiefly monitoring and administering of medicaments, physiotherapy and training to compensate for loss of function or rest. Some young disabled people may be cared for by nursing homes but the focus of the nursing home is long-term care involving regular basic nursing care for older people. This category consists of:

- the provision of nursing and convalescent home services; and
- the administration, inspection, operation or support of nursing and convalescent home services.

Includes: Institutions serving old people in which medical monitoring is an essential component; rehabilitation centres providing in-patient health care and rehabilitative therapy where the objective is to treat the patient rather than to provide long-term support; nursing homes that are located within hospitals; state and territory owned and operated residential aged care facilities predominantly for high care needs; medicaments, prostheses, medical products, appliances and equipment supplied to patients.

Excludes: Aged care hostels (classified to *old age* (COFOG-A 1011)); residential institutions for disabled people (classified to *disability* (COFOG-A 1002)); psycho-geriatric nursing homes (classified to *mental health institutions* (COFOG-A 0741)); programs and services related to the provision of residential aged care (classified to *old age* (COFOG-A 1011)).

Mental health institutions (COFOG-A 074)

A1C.151 *Mental health institutions* (COFOG-A 074) consists of government expenditure on mental health institutions. This category is further classified into:

- *mental health institutions* (COFOG-A 0741).

Mental health institutions (COFOG-A 0741)

A1C.152 *Mental health institutions* (COFOG-A 0741) consists of;

- the provision of services by mental health institutions; and
- the administration, inspection, operation or support of mental health institutions.

Includes: Institutions that exist primarily for the treatment and care of admitted patients with psychiatric, mental or behavioural disorders such as specialised psychiatric hospitals and psycho-geriatric nursing homes.

Excludes: Designated psychiatric or psycho-geriatric units within hospitals (classified to *general hospital services* (COFOG-A 0731)); institutions providing psychiatric care as part of alcohol and drug treatment programs (classified to *general hospital services* (COFOG-A 0731)).

Community health services (COFOG-A 075)

A1C.153 *Community health services* (COFOG-A 075) consists of government expenditure on community health services. This category is further classified into:

- *community mental health services* (COFOG-A 0751);
- *patient transport* (COFOG-A 0752); and
- *community health services not elsewhere classified* (COFOG-A 0759).

Community mental health services (COFOG-A 0751)

A1C.154 *Community mental health services* (COFOG-A 0751) consists of;

- the provision of specialised mental health programs for the mentally ill treated in a community (non-hospital) setting; and
- the administration, inspection, operation or support of community mental health services.

Includes: Mobile acute assessment; treatment and case management services; outreach programs; community based residential services.

Excludes: Treatment by psychiatrists in private practice (classified to *community health services not elsewhere classified* (COFOG-A 0759)); specialised psychiatric hospitals (classified to *mental health institutions* (COFOG-A 0741)); psycho-geriatric nursing homes (classified to *mental health institutions* (COFOG-A 0741)); mental health units within hospitals (classified to *general hospital services* (COFOG-A 0731)).

Patient transport (COFOG-A 0752)

A1C.155 *Patient transport* (COFOG-A 0752) consists of:

- the provision of patient transport services; and
- the administration, inspection, operation or support of patient transport services.

Includes: Emergency transport to hospital such as ambulance and air transport; inter-hospital transport; non-emergency transport to and from treatment centres; travel assistance; subsidies for private transport providers such as taxis, wheelchairs, stretchers and other modes of transport for medical purposes; accommodation assistance for patients and their families to be more closely situated to medical treatment locations.

Community health services not elsewhere classified (COFOG-A 0759)

A1C.156 *Community health services not elsewhere classified* (COFOG-A 0759) consists of:

- the provision of health services provided in a community (non-hospital) setting other than mental health services; and
- the administration, inspection, operation or support of community health services other than mental health services.

Includes: Domiciliary nursing services which are not delivered as part of a welfare oriented program; maternal and child health clinics; dental health services; services provided by community health centres; health services provided to particular community groups such as Aboriginal and Torres Strait Islanders; Commonwealth government subsidies for private medical, dental and optical services provided in a community or ambulatory setting; treatments by other medical specialists such as obstetricians and anaesthetists that attract Commonwealth government subsidies and are provided in a community setting; treatment by psychiatrists in private practice; pathology and radiology services provided in a community setting or ambulatory care; community access to allied health professionals such as diabetes educators, physiologists, dieticians and podiatrists.

Excludes: Community health services provided by hospitals (classified to *general hospital services* (COFOG-A 0731)); community mental health services (classified to *community mental health services* (COFOG-A 0751)); drug and alcohol treatment and prevention programs (classified to *social exclusions not elsewhere classified* (COFOG-A 1069)).

Public health services (COFOG-A 076)

A1C.157 *Public health services* (COFOG-A 076) consists of government expenditure on public health services. This category is further classified into:

- *public health services* (COFOG-A 0761).

Public health services (COFOG-A 0761)

A1C.158 *Public health services* (COFOG-A 0761) consists of;

- the provision of public health services;
- the administration, inspection, operation or support of public health services such as blood bank operation (collecting, processing, storing, shipping), disease detection (cancer, tuberculosis, venereal disease), prevention (immunisation, inoculation), monitoring (infant nutrition, child health), epidemiological data collection, family planning services and so forth; and
- the preparation and dissemination of information on public health matters.

Includes: Public health service delivered by special teams to groups of clients, most of whom are in good health, at workplaces, schools, or other non-medical settings; public health services not connected with a hospital, clinic or practitioner; public health services not delivered by medically qualified doctors; public health service laboratories; health promotion campaigns; breast cancer screening; communicable disease surveillance and control; nutrition services; screening for childhood diseases; regulation of food standards; occupational health and safety programs; environmental health; population health service programs which aim to protect, promote and/or restore the collective health of whole or specific populations (as distinct from activities directed to the care of individuals); preventive health service programs which aim to prevent disease.

Excludes: Medical analysis laboratories (classified to *paramedical services* (COFOG-A 0724)); laboratories engaged in determining the causes of disease (classified to *research and development - health* (COFOG-A 0771)); drug and alcohol treatment and prevention programs (classified to *social exclusions not elsewhere classified* (COFOG-A 1069)).

Research and development - health (COFOG-A 077)

A1C.159 *Research and development - health* (COFOG-A 077) consists of government expenditure on research and development relating to health. Definitions of basic research, applied research and experimental development are given under COFOG-A 014 and COFOG-A 015. This category is further classified into:

- *research and development – health* (COFOG-A 0771).

Research and development - health (COFOG-A 0771)

A1C.160 *Research and development - health* (COFOG-A 0771) consists of:

- the administration and operation of government agencies engaged in applied research and experimental development related to health; and
- grants, loans and subsidies to support applied research and experimental development related to health undertaken by non-government bodies such as research institutes and universities.

Includes: Laboratories engaged in determining the causes of disease; research into medical and health sciences; research into medical instrumentation.

Excludes: Basic research (classified to *basic research* (COFOG-A 0141)).

Health not elsewhere classified (COFOG-A 079)

A1C.161 *Health not elsewhere classified* (COFOG-A 079) consists of government expenditure on health not elsewhere classified. This category is further classified into:

- *health not elsewhere classified* (COFOG-A 0799).

Health not elsewhere classified (COFOG-A 0799)

A1C.162 *Health not elsewhere classified* (COFOG-A 0799) consists of;

- the administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall health policies, plans, programs and budgets; preparation and enforcement of legislation and standards for the provision of health services, including the licensing of medical establishments and medical and paramedical personnel; production and dissemination of general information, technical documentation and statistics on health.

Includes: Health insurance schemes designed to cover all or part of the costs of health care; administration of Medicare; subsidies for private health insurance; health affairs and services that cannot be classified to *medical products, appliances and equipment* (COFOG-A 071), *outpatient services* (COFOG-A 072), *hospital services* (COFOG-A 073), *mental health institutions* (COFOG-A 074), *community health services* (COFOG-A 075), *public health services* (COFOG-A 076) or *research and development - health* (COFOG-A 077).

Excludes: Aged services provided to the general aged population (classified to the appropriate class of COFOG-A 102).

RECREATION, CULTURE AND RELIGION (COFOG-A 08)

A1C.163 *Recreation, culture and religion* (COFOG-A 08) consists of government expenditure on recreation, culture and religion. It includes expenditure on services provided to individual persons and households and expenditure on services provided on a collective basis. Individual expenditures are allocated to COFOG-A 081 and COFOG-A 082; expenditures on collective services are assigned to COFOG-A 083 through COFOG-A 089. Collective services are provided to the community as a whole. They include activities such as formulation and administration of government policy, formulation and enforcement of legislation and standards for providing recreational and cultural services, and applied research and experimental development into recreational, cultural and religious affairs and services.

A1C.164 *Recreation, culture and religion* (COFOG-A 08) is further classified into:

- *recreational and sporting services* (COFOG-A 081);
- *cultural services* (COFOG-A 082);
- *broadcasting and publishing services* (COFOG-A 083);
- *religious and other community services* (COFOG-A 084);
- *research and development - recreation, culture and religion* (COFOG-A 085); and
- *recreation, culture and religion not elsewhere classified* (COFOG-A 089).

Recreational and sporting services (COFOG-A 081)

A1C.165 *Recreational and sporting services* (COFOG-A 081) consists of government expenditure on recreational and sporting services. This category is further classified into:

- *recreational and sporting services* (COFOG-A 0811)

Recreational and sporting services (COFOG-A 0811)

A1C.166 *Recreational and sporting services* (COFOG-A 0811) consists of:

- the provision of sporting and recreational services; administration of sporting and recreational affairs; supervision and regulation of sporting and recreational facilities; the operation or support of facilities for active sporting pursuits or events (playing fields, tennis courts, squash courts, running tracks, golf courses, boxing rings, skating rinks, gymnasiums, etc.);
- the operation or support of facilities for passive sporting pursuits or events (chiefly specially equipped venues for playing cards, board games, etc.); operation or support of facilities for recreational pursuits (parks, rivers, lakes, beaches, camping grounds and associated lodging places furnished on a non-commercial basis, swimming pools (both indoor and outdoor), public baths for washing, etc.); and
- grants, loans or subsidies to support teams or individual competitors or players.

Includes: Facilities for spectator accommodation; national, regional or local team representation in sporting events; equipment, coaching, training and other items needed to field a team or player; dressing sheds; club houses; diving platforms; sports ovals; football and cricket grounds; public toilets and other facilities attached to sports grounds; recreation centres; indoor sporting complexes; basketball courts; skate parks; bmx tracks; facilities and infrastructure for sport and recreation such as toilets and changing facilities; recreational gardens; construction and maintenance of playgrounds, picnic areas, barbecue areas, shelters, public toilets and other facilities attached to recreational areas; caravan parks; construction and maintenance of off-road recreation walkways and cycle paths; construction and maintenance of jetties, piers and wharves for use in recreational activities such as fishing and boating; construction and maintenance of beach facilities such as public toilets, showers, picnic areas, promenade, swimming nets, ocean sea swimming areas, surf club or sailing club facilities; racing and gaming commissions; lotteries commissions; operation or support of sport or recreation events; general planning and policy development related to sport and physical recreation; support for the operation of sport regulatory bodies (peak sporting associations); assistance to sporting and recreation clubs run by religious organisations; recreation programs offered as a diversion from drug and alcohol use; education and awareness campaigns to promote general sport or physical recreation activity; horse or dog racing facilities and services.

Excludes: National parks and wildlife services (classified to *protection of biodiversity and landscape* (COFOG-A 0541)); beach surveillance (including beach patrols and beach inspection) and life saving (classified to *public order and safety not elsewhere classified* (COFOG-A 0399)); zoological or botanical gardens, aquariums, arboreta and similar institutions (classified to *cultural services not elsewhere classified* (COFOG-A 0829)); parks established for environmental management (classified to *protection of biodiversity and landscape* (COFOG-A 0541)); green areas not for recreation uses, such as maintenance of roadside and median vegetation (classified according to function); footpaths and cycle paths (classified to the appropriate class of COFOG-A 111); sport fishing and hunting (classified to *fishing and hunting* (COFOG-A 0423)); sporting and recreational facilities associated with educational institutions (classified to the appropriate class of COFOG-A 09); community centres, multipurpose halls and civic centres used for both recreational and cultural purposes (classified to *community centres and halls* (COFOG-A 0891)).

Cultural services (COFOG-A 082)

A1C.167 *Cultural services* (COFOG-A 082) consists of government expenditure on cultural services. This category is further classified into:

- *film production services* (COFOG-A 0821); and
- *cultural services not elsewhere classified* (COFOG-A 0829).

Film production services (COFOG-A 0821)

A1C.168 *Film production services* (COFOG-A 0821) consists of:

- the administration of film production affairs; supervision and regulation of film production services; and
- the operation or support of film production services.

Includes: Support of film production.

Excludes: Support of cultural services for distribution beyond national boundaries (classified to *external affairs* (COFOG-A 0113)).

Cultural services not elsewhere classified (COFOG-A 0829)

A1C.169 *Cultural services not elsewhere classified* (COFOG-A 0829) consists of:

- the provision of cultural services; administration of cultural affairs; supervision and regulation of cultural facilities;
- the operation or support of facilities for cultural pursuits (libraries, museums, art galleries, theatres, exhibition halls, monuments, historic houses and sites, zoological and botanical gardens; aquariums, arboreta, etc.); production, operation or support of cultural events (concerts, stage productions, art shows, etc.); and
- grants, loans or subsidies to support individual artists, writers, designers, composers and others working in the arts or organisations engaged in promoting cultural activities.

Includes: National, regional or local celebrations provided they are not intended chiefly to attract tourists; administration of arts grants; acquisition and maintenance of public artworks; support for places on the Commonwealth Heritage List and the National Heritage List which are not part of national parks and wildlife services; purchase and maintenance of historic houses or sites; purchase and maintenance of historic or commemorative monuments; science centre operations; lending and reference libraries and book mobiles; provision of books; library archives; support of library research; dance rehearsal studios; entertainment centres; opera houses; playhouses; orchestras; circuses; music festivals; support for community arts networks and programs; performing or visual arts education; commercial video and film hiring; wildlife parks where animals are actively managed; units such as aquaria operation where an entertainment or performance element is included.

Excludes: Cultural events intended for presentation beyond national boundaries (classified to *external affairs* (COFOG-A 0113)); national, regional or local celebrations intended chiefly to attract tourists (classified to *tourism* (COFOG-A 0463)); production of cultural material intended for distribution by broadcasting (classified to *broadcasting services* (COFOG-A 0831)); places on the Commonwealth Heritage List and National Heritage List which are part of national parks and wildlife services (classified to *protection of biodiversity and landscape* (COFOG-A 0541)); film production services (classified to *film production services* (COFOG-A 0821)); historical societies which are not managing museums or maintaining collections (classified to *recreation, culture and religion not elsewhere classified* (COFOG-A 0899)); heritage theme parks which do not have original buildings or collections of artefacts (classified to *recreation, culture and religion not elsewhere classified* (COFOG-A 0899)); libraries and other reference services serving mainly executive and legislative organs (classified to *executive and legislative organs*

(COFOG-A 0111)); wildlife sanctuaries where animals and protected but not actively managed (classified to *protection of biodiversity and landscape* (COFOG-A 0541)); broadcasting services and operation (classified to *broadcasting services* (COFOG-A 0831)); publishing services and operations (classified to *publishing services* (COFOG-A 0832)); film production services and operation (classified to *film production services* (COFOG-A 0821)); community festivals such as food, wine or ethnic festivals (classified to *recreation, culture and religion not elsewhere classified* (COFOG-A 0899)); community centres, multipurpose halls and civic centres used for both recreational and cultural purposes (classified to *community centres and halls* (COFOG-A 0891)).

Broadcasting and publishing services (COFOG-A 83)

A1C.170 *Broadcasting and publishing services* (COFOG-A 83) consists of government expenditure on broadcasting and publishing services. This category is further classified into:

- *broadcasting services* (COFOG-A 0831); and
- *publishing services* (COFOG-A 0832).

Broadcasting services (COFOG-A 0831)

A1C.171 *Broadcasting services* (COFOG-A 0831) consists of:

- the administration of broadcasting affairs; supervision and regulation of broadcasting services;
- the operation or support of broadcasting services; and
- grants, loans or subsidies to support the construction or acquisition of facilities for television or radio broadcasting; the production of material for, and its presentation by, broadcasting; the gathering of news or other information for broadcasting.

Includes: Production of cultural material intended for overseas broadcasting; administering the collection of commercial radio and television licence fees; support of film production.

Excludes: Provision of education by radio or television broadcasting (classified to the appropriate class of COFOG-A 09); support of cultural services for distribution beyond national boundaries (classified to *external affairs* (COFOG-A 0113)).

Publishing services (COFOG-A 0832)

A1C.172 *Publishing services* (COFOG-A 0832) consists of:

- the administration of publishing affairs; supervision and regulation of publishing services;
- the operation or support of publishing services; and
- grants, loans or subsidies to support the construction or acquisition of plant, equipment or materials for newspaper, magazine or book publishing; the gathering of news or other information for publishing; the distribution of published works.

Excludes: Government printing offices and plants (classified to *general services not elsewhere classified* (COFOG-A 0139)).

Religious and other community services (COFOG-A 084)

A1C.173 *Religious and other community services* (COFOG-A 084) consists of government expenditure on religious and other community services. This category is further classified into:

- religious and other community services (COFOG-A 0841).

Religious and other community services (COFOG-A 0841)

A1C.174 *Religious and other community services* (COFOG-A 0841) consists of:

- the administration of religious and other community affairs;
- the provision of facilities for religious and other community services, including support for their operation, maintenance and repair; and

- the payment of clergy or other officers of religious institutions; support for the holding of religious services; grants, loans or subsidies to support fraternal, civic, youth and social organisation or labour unions and political parties.

Excludes: Assistance to sporting and recreation clubs run by religious organisations (classified to *recreational and sporting services* (COFOG-A 0811)).

Research and development - recreation, culture and religion (COFOG-A 085)

A1C.175 *Research and development - recreation, culture and religion* (COFOG-A 085) consists of government expenditure on research and development relating to recreation, culture and religion. Definitions of basic research, applied research and experimental development are given under COFOG-A 014 and COFOG-A 015. This category is further classified into:

- research and development - recreation, culture and religion (COFOG-A 0851).

Research and development - recreation, culture and religion (COFOG-A 0851)

A1C.176 *Research and development - recreation, culture and religion* (COFOG-A 0851) consists of;

- the administration and operation of government agencies engaged in applied research and experimental development related to recreation, culture and religion; and
- grants, loans and subsidies to support applied research and experimental development related to recreation, culture and religion undertaken by non-government bodies such as research institutes and universities.

Excludes: Basic research (classified to *basic research* (COFOG-A 0141)).

Recreation, culture and religion not elsewhere classified (COFOG-A 089)

A1C.177 *Recreation, culture and religion not elsewhere classified* (COFOG-A 089) consists of government expenditure on recreation, culture and religion not elsewhere classified. This category is further classified into:

- *community centres and halls* (COFOG-A 0891); and
- *recreation, culture and religion not elsewhere classified* (COFOG-A 0899).

Community centres and halls (COFOG-A 0891)

A1C.178 *Community centres and halls* (COFOG-A 0891) consists of:

- the construction, maintenance, operation or support of community centres, multipurpose halls and civic centres mainly used for recreation and cultural pursuits.

Includes: Multipurpose venues used for both recreational and cultural purposes.

Excludes: Halls or civic centres used mainly for administration (classified to *general services not elsewhere classified* (COFOG-A 0139)); buildings for live theatre, dance or music (classified to *cultural services not elsewhere classified* (COFOG-A 0829)); sport and recreation venues (classified to *recreational and sporting services* (COFOG-A 0811)); venues used mainly for education or welfare (classified according to function); senior citizens centres (classified to *old age* (COFOG-A 1011)).

Recreation, culture and religion not elsewhere classified (COFOG-A 0899)

A1C.179 *Recreation, culture and religion not elsewhere classified* (COFOG-A 0899) consists of:

- the administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programs and budgets for the promotion of sport, recreation, culture and religion; preparation and enforcement of legislation and standards for the provision of recreational and cultural services; production and dissemination of general information, technical documentation and statistics on recreation, culture and religion.

Includes: Social community groups for leisure purposes such as women's groups, ethnic groups; community festivals such as food, wine, ethnic festivals; amusement or theme parks; event management services; support for historical societies which are not managing museums or maintaining collections; heritage theme parks which do not have original buildings or collections of artefacts; affairs and services relating to recreation, culture and religion that cannot be classified to *recreational and sporting services* (COFOG-A 081), *cultural services* (COFOG-A 082), *broadcasting and publishing services* (COFOG-A 083), *religious and other community services* (COFOG-A 084), *research and development - recreation, culture and religion* (COFOG-A 085) or *community centres and halls* (COFOG-A 0891).

Excludes: Community activities with a health, social protection or education purpose (classified to the appropriate class of COFOG-A 07, COFOG-A 10 or COFOG-A 09 respectively); administration and operation of tourism services and promotion of tourism (classified to *tourism* (COFOG-A 0463)).

EDUCATION (COFOG-A 09)

A1C.180 *Education* (COFOG-A 09) consists of government expenditure on education. Government expenditure on education include expenditure on services provided to individual pupils and students and expenditure on services provided on a collective basis. Expenditures on individual services are allocated to COFOG-A 091 through COFOG-A 095; expenditures on collective services are assigned to COFOG-A 096 and COFOG-A 099. Collective educational services are concerned with matters such as formulation and administration of government policy; setting and enforcement of standards; regulation, licensing and supervision of educational establishments; and applied research and experimental development into education affairs and services. However, overhead expenses connected with administration or functioning of a group of schools, colleges, etc. are considered to be individual expenditures and are classified to COFOG-A 091 through COFOG-A 095 as appropriate. This division includes military schools and colleges where the curriculum resembles those of civilian institutions, police colleges offering general education in addition to police training and the provision of education by radio or television broadcasting. Expenditures so incurred are classified to COFOG-A 091 to COFOG-A 094 as appropriate.

A1C.181 *Education* (COFOG-A 09) is further classified into:

- *pre-primary and primary education* (COFOG-A 091);
- *secondary education* (COFOG-A 092);
- *tertiary education* (COFOG-A 093);
- *education not definable by level* (COFOG-A 094);
- *subsidiary services to education* (COFOG-A 095);
- *research and development – education* (COFOG-A 096); and
- *education not elsewhere classified* (COFOG-A 099).

Pre-primary and primary education (COFOG-A 091)

A1C.182 *Pre-primary and primary education* (COFOG-A 091) consists of government expenditure on pre-primary and primary education. This category is further classified into:

- *government pre-primary education* (COFOG-A 0911);
- *non-government pre-primary education* (COFOG-A 0912);
- *government primary education* (COFOG-A 0913); and
- *non-government primary education* (COFOG-A 0914).

Government pre-primary education (COFOG-A 0911)

A1C.183 *Government pre-primary education* (COFOG-A 0911) consists of:

- the provision of government pre-primary education; and
- the administration, inspection, operation or support of schools and other institutions providing government pre-primary education.

Includes: Government preschools and kindergartens where preschool education programs are delivered in a school-type environment designed to bridge the gap between home and school; any special education programs integrated into mainstream government preschool education; military pre-schools and kindergartens where the curriculum resembles that of civilian institutions even though attendance may be limited to military personnel and their families.

Excludes: Subsidiary services to education (classified to the appropriate class of COFOG-A 095); play centres, crèches, day care centres, etc. (where the main function is not to prepare children for subsequent schooling but rather to provide child care services) (classified to *family and children* (COFOG-A 1031)).

Non-government pre-primary education (COFOG-A 0912)

A1C.184 *Non-government pre-primary education* (COFOG-A 0912) consists of:

- the provision of non-government pre-primary education; and
- the administration, inspection, operation or support of schools and other institutions providing non-government pre-primary education.

Includes: Non-government preschools and kindergartens where preschool education programs are delivered in a school-type environment designed to bridge the gap between home and school; any special education programs integrated into mainstream non-government preschool education.

Excludes: Subsidiary services to education (classified to the appropriate class of COFOG-A 095); play centres, crèches, day care centres, etc. (where the main function is not to prepare children for subsequent schooling but rather to provide child care services) (classified to *family and children* (COFOG-A 1031)).

Government primary education (COFOG-A 0913)

A1C.185 *Government primary education* (COFOG-A 0913) consists of:

- the provision of government primary education, that is, government educational programs that provide a sound knowledge of reading, writing and simple mathematics and an elementary knowledge of other subjects for children from ages 5 to 7 until ages 10 to 12; and
- the administration, inspection, operation or support of schools and other institutions providing government primary education.

Includes: Literacy programs for students too old for primary school; special education programs integrated into mainstream government primary education; military schools where the curriculum resembles that of civilian institutions even though attendance may be limited to military personnel and their families.

Excludes: Subsidiary services to education (classified to the appropriate class of COFOG-A 095); transportation services to students (classified to *transportation of non-urban school students* (COFOG-A 0951) or *transportation of other students* (COFOG-A 0952)).

Non-government primary education (COFOG-A 0914)

A1C.186 *Non-government primary education* (COFOG-A 0914) consists of;

- the provision of non-government primary education, that is, non-government educational programs that provide a sound knowledge of reading, writing and simple mathematics and an elementary knowledge of other subjects for children from ages 5 to 7 until ages 10 to 12; and
- the administration, inspection, operation or support of schools and other institutions providing non-government primary education.

Includes: Literacy programs for students too old for primary school; special education programs integrated into mainstream non-government primary education.

Excludes: Subsidiary services to education (classified to the appropriate class of COFOG-A 095); transportation services to students (classified to *transportation of non-urban school students* (COFOG-A 0951) or *transportation of other students* (COFOG-A 0952)).

Secondary education (COFOG-A 092)

A1C.187 *Secondary education* (COFOG-A 092) consists of government expenditure on secondary education. This category is further classified into:

- *government secondary education* (COFOG-A 0921); and
- *non-government secondary education* (COFOG-A 0922).

Government secondary education (COFOG-A 0921)

A1C.188 *Government secondary education* (COFOG-A 0921) consists of:

- the provision of government secondary education, that is, government educational programs that extend primary programs on a more subject oriented pattern for a period of 4 to 6 years (some vocational and technical training may occur, particularly in the final years);
- the administration, inspection, operation or support of schools and other institutions providing government secondary education; and
- scholarships, grants, loans and allowances to support students pursuing government secondary education.

Includes: Out-of-school government secondary education courses for adults and young people other than those offered by colleges of technical and further education; special education programs integrated into mainstream government secondary education; military schools and colleges where the curriculum resembles that of civilian institutions even though attendance may be limited to military personnel and their families.

Excludes: Subsidiary services to education (classified to the appropriate class of COFOG-A 095); transportation services to students (classified to *transportation of non-urban school students* (COFOG-A 0951) or *transportation of other students* (COFOG-A 0952)).

Non-government secondary education (COFOG-A 0922)

A1C.189 *Non-government secondary education* (COFOG-A 0922) consists of:

- the provision of non-government secondary education, that is, non-government educational programs that extend primary programs on a more subject oriented pattern for a period of 4 to 6 years (some vocational and technical training may occur, particularly in the final years);
- the administration, inspection, operation or support of schools and other institutions providing non-government secondary education; and
- scholarships, grants, loans and allowances to support students pursuing non-government secondary education.

Includes: Out-of-school non-government secondary education courses for adults and young people other than those offered by colleges of technical and further education; special education programs integrated into mainstream non-government secondary education.

Excludes: Subsidiary services to education (classified to the appropriate class of COFOG-A 095); transportation services to students (classified to *transportation of non-urban school students* (COFOG-A 0951) or *transportation of other students* (COFOG-A 0952)).

Tertiary education (COFOG-A 093)

A1C.190 *Tertiary education* (COFOG-A 093) consists of government expenditure on tertiary education. This category is further classified into:

- *university education* (COFOG-A 0931); and
- *technical and further education* (COFOG-A 0932).

University education (COFOG-A 0931)

A1C.191 *University education* (COFOG-A 0931) consists of:

- the provision of university education, that is, educational programs leading to a university degree, postgraduate degree or other higher qualifications (entry generally requires matriculation at a secondary level or equivalent);
- the administration, inspection, operation or support of universities; and
- scholarships, grants, loans and allowances to support students pursuing university education.

Includes: Military tertiary education facilities where the curriculum resembles that of civilian institutions even though attendance may be limited to military personnel and their families.

<u>Excludes</u>: Subsidiary services to education (classified to the appropriate class of COFOG-A 095); transportation services to students (classified to *transportation of non-urban school students* (COFOG-A 0951) or *transportation of other students* (COFOG-A 0952)).

Technical and further education (COFOG-A 0932)

A1C.192 *Technical and further education* (COFOG-A 0932) consists of:

- the provision of technical and further education, that is, educational programs designed to meet specific requirements of industry and commerce (entry may not require matriculation at a secondary level or equivalent);
- the administration, inspection, operation or support of Technical and Further Education (TAFE) colleges; and
- scholarships, grants, loans and allowances to support students pursuing technical and further education.

<u>Includes</u>: Non-vocational courses offered by TAFE colleges; TAFE courses provided at universities.

<u>Excludes</u>: Subsidiary services to education (classified to the appropriate class of COFOG-A 095); transportation services to students (classified to *transportation of non-urban school students* (COFOG-A 0951) or *transportation of other students* (COFOG-A 0952)); vocational training programs not provided by TAFE institutions (classified to *vocational education and training* (COFOG-A 0941)).

Education not definable by level (COFOG-A 094)

A1C.193 *Education not definable by level* (COFOG-A 094) consists of government expenditure on pre-primary and primary education. This category is further classified into:

- *vocational education and training* (COFOG-A 0941); and
- *education not definable by level not elsewhere classified* (COFOG-A 0949).

Vocational education and training (COFOG-A 0941)

A1C.194 *Vocational education and training* (COFOG-A 0941) consists of:

- the provision of vocational education and training, that is, programs designed to teach procedural knowledge and to facilitate entry into the workforce of people currently not employed or in need of retraining; and
- scholarships, grants, loans and allowances to support students pursuing vocational education and training.

<u>Includes</u>: Apprenticeship schemes; traineeship schemes; military vocational education and training institutions where the curriculum resembles that of civilian institutions even though attendance may be limited to military personnel and their families.

<u>Excludes</u>: Training programs provided by Technical and Further Education (TAFE) colleges (classified to *technical and further education* (COFOG-A 0932)).

Education not definable by level not elsewhere classified (COFOG-A 0949)

A1C.195 *Education not definable by level not elsewhere classified* (COFOG-A 0949) consists of;

- the provision of education not definable by level, that is, educational programs generally for adults which do not require any special prior instruction);
- the administration, inspection, operation or support of institutions providing education not definable by level; and
- scholarships, grants, loans and allowances to support students pursuing education programs not definable by level.

<u>Includes</u>: Adult education programs which are essentially non-vocational and associated with leisure-time activities or cultural development, other than those offered by Technical and Further Education (TAFE) colleges; migrant education programs.

Excludes: Subsidiary services to education (classified to the appropriate class of COFOG-A 095); transportation services to students (classified to *transportation of non-urban school students* (COFOG-A 0951) or *transportation of other students* (COFOG-A 0952)).

Subsidiary services to education (COFOG-A 095)

A1C.196 *Subsidiary services to education* (COFOG-A 095) consists of government expenditure on subsidiary services to education. This category is further classified into:

- *transportation of non-urban school students* (COFOG-A 0951);
- *transportation of other students* (COFOG-A 0952); and
- *subsidiary services to education not elsewhere classified* (COFOG-A 0959).

Transportation of non-urban school students (COFOG-A 0951)

A1C.197 Transportation of non-urban school students (COFOG-A 0951) consists of;

- the provision of transportation to non-urban (rural) school students; and
- the administration, inspection, operation or support of transportation services to non-urban (rural) school students.

Includes: Contract bus services; conveyance allowances to parents; reimbursement of public trading enterprises and private sector bus operators for concessional fares offered to non-urban (rural) school students.

Excludes: Transportation services to students other than non-urban (rural) school students (classified to *transportation of other students* (COFOG-A 0952)).

Transportation of other students (COFOG-A 0952)

A1C.198 *Transportation of other students* (COFOG-A 0952) consists of:

- the provision of transportation to students other than non-urban (rural) school students; and
- the administration, inspection, operation or support of transportation services to students other than non-urban (rural) school students.

Includes: Contract bus services; conveyance allowances to parents; reimbursement of public trading enterprises and private sector bus operators for concessional fares offered to students other than non-urban (rural) school students.

Excludes: Transportation services to non-urban (rural) school students (classified to *transportation of non-urban school students* (COFOG-A 0951)).

Subsidiary services to education not elsewhere classified (COFOG-A 0959)

A1C.199 *Subsidiary services to education not elsewhere classified* (COFOG-A 0959) consists of;

- the provision of subsidiary services to education other than transportation of students; and
- the administration, inspection, operation or support of food, lodging and related subsidiary services chiefly for students regardless of level.

Includes: School breakfast programs.

Excludes: School health monitoring and prevention (immunisation) services (classified to *public health services* (COFOG-A 0761)); scholarships, grants, loans and allowances in cash to defray the costs of subsidiary services (classified to the appropriate class of COFOG-A 091, COFOG-A 092, COFOG-A 093, COFOG-A 094 or COFOG-A 095); transportation services to non-urban school students (classified to *transportation of non-urban school students* (COFOG-A 0951)); transportation services to students other than non-urban school students (classified to *transportation of other students* (COFOG-A 0952)); medical and dental care for students (classified to the appropriate class of COFOG-A 07).

Research and development - education (COFOG-A 096)

A1C.200 *Research and development - education* (COFOG-A 096) consists of government expenditure on research and development relating to education. Definitions of basic research, applied research and experimental development are given under COFOG-A 014 and COFOG-A 015. This category is further classified into:

- *research and development - education* (COFOG-A 0961).

Research and development - education (COFOG-A 0961)

A1C.201 *Research and development - education* (COFOG-A 0961) consists of;

- the administration and operation of government agencies engaged in applied research and experimental development related to education; and
- grants, loans and subsidies to support applied research and experimental development related to education undertaken by non-government bodies such as research institutes and universities.

Excludes: Basic research (classified to *basic research* (COFOG-A 0141)).

Education not elsewhere classified (COFOG-A 099)

A1C.202 *Education not elsewhere classified* (COFOG-A 099) consists of government expenditure on education not elsewhere classified. This category is further classified into:

- *special education* (COFOG-A 0991); and
- *education not elsewhere classified* (COFOG-A 0999).

Special education (COFOG-A 0991)

A1C.203 *Special education* (COFOG-A 0991) consists of:

- the provision of special educational programs provided by special schools;
- the administration, inspection, operation or support of special schools; and
- scholarships, grants, loans and allowances to support students enrolled in special educational programs.

Includes: Education of children with a disability or learning difficulties; children with social or emotional problems; children in custody or on remand; children in hospital.

Excludes: Subsidiary services to education (classified to the appropriate class of COFOG-A 095); transportation services to students (classified to *transportation of non-urban school students* (COFOG-A 0951) or *transportation of other students* (COFOG-A 0952)); special education programs integrated into mainstream primary education (classified to *government primary education* (COFOG-A 0913) or *non-government primary education* (COFOG-A 0914)); special education programs integrated into mainstream secondary education (classified to *government secondary education* (COFOG-A 0921) or *non-government secondary education* (COFOG-A 0922)).

Education not elsewhere classified (COFOG-A 0999)

A1C.204 *Education not elsewhere classified* (COFOG-A 0999) consists of;

- the administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall educational policies, plans, programs and budgets; preparation and enforcement of legislation and standards for the provision of education, including licensing of educational establishments; production and dissemination of general information, technical documentation and statistics on education.

Includes: Education affairs and services that cannot be classified to *pre-primary and primary education* (COFOG-A 091), *secondary education* (COFOG-A 092), *tertiary education* (COFOG-A 093), *education not definable by level* (COFOG-A 094), *subsidiary services to education* (COFOG-A 095) or *research and development - education* (COFOG-A 096).

Excludes: School health monitoring and prevention (immunisation) services (classified to *public health services* (COFOG-A 0761)).

SOCIAL PROTECTION (COFOG-A 10)

A1C.205 *Social protection* (COFOG-A 10) consists of government expenditure on social protection. Government expenditure on social protection includes expenditure on services and transfers provided to individual persons and households and expenditure on services provided on a collective basis. Expenditures on individual services and transfers are allocated to COFOG-A 100 through COFOG-A 106; expenditures on collective services are assigned to COFOG-A 107 and COFOG-A 109. Collective social protection services are concerned with matters such as formulation and administration of government policy; formulation and enforcement of legislation and standards for providing social protection; and applied research and experimental development into social protection affairs and services.

A1C.206 *Social protection* (COFOG-A 10) is further classified into:

- *sickness and disability* (COFOG-A 100);
- *old age* (COFOG-A 101);
- *survivors* (COFOG-A 102);
- *family and children* (COFOG-A 103);
- *unemployment* (COFOG-A 104);
- *housing* (COFOG-A 105);
- *social exclusion not elsewhere classified* (COFOG-A 106);
- *research and development - social protection* (COFOG-A 107); and
- *social protection not elsewhere classified* (COFOG-A 109).

Sickness and disability (COFOG-A 100)

A1C.207 *Sickness and disability* (COFOG-A 100) consists of government expenditure on sickness and disability. This category is further classified into:

- *sickness* (COFOG-A 1001); and
- *disability* (COFOG-A 1002).

Sickness (COFOG-A 1001)

A1C.208 *Sickness* (COFOG-A 1001) consists of:

- the provision of social protection in the form of cash benefits or benefits in kind that replace in whole or in part loss of earnings during a temporary inability to work due to sickness or injury;
- the administration, operation or support of such social protection schemes;
- cash benefits, such as flat-rate or earnings-related sick leave payments, miscellaneous payments provided to help persons temporarily unable to work due to sickness or injury; and
- benefits in kind, such as assistance with daily tasks provided to persons temporarily unable to work due to sickness or injury (home help, transport facilities, etc.).

Includes: Miners phthisis compensation; payments to patients for loss of income due to hospitalisation.

Excludes: Special Benefit (classified to *social exclusions not elsewhere classified* (COFOG-A 1069)); workers compensation payments (classified according to function); payments for health services (classified to the appropriate class of COFOG-A 07).

Disability (COFOG-A 1002)

A1C.209 *Disability* (COFOG-A 1002) consists of:

- the provision of social protection in the form of cash benefits or benefits in kind to persons who are fully or partially unable to engage in economic activity or lead a normal life due to a physical or mental impairment that is either permanent or likely to persist beyond a minimum prescribed period;
- the administration, operation or support of such social protection schemes;

- cash benefits, such as disability pensions paid to persons below the standard retirement age who encounter a disability which impairs their ability to work, early retirement benefits paid to older workers who retire before reaching the standard retirement age due to reduced capacity to work, care allowances, allowances paid to disabled people undertaking work adapted to their condition or undergoing vocational training, other periodic or lump-sum payments paid to disabled persons for social protection reasons; and
- benefits in kind, such as lodging and possibly board provided to disabled persons in appropriate establishments, assistance provided to disabled persons to help them with daily tasks (home help, transport facilities, etc.), allowances paid to the person who looks after the disabled person, vocational and other training provided to further the occupational and social rehabilitation of disabled persons, miscellaneous services and goods provided to disabled persons to enable them to participate in leisure and cultural activities or to travel or to participate in community life.

Includes: Respite care; development care; substitute care; domestic and personal assistance such as services provided through the Home and Community Care Program; services delivered by residential institutions such as hostels, villages and group homes and other services provided under the National Disability Agreement; transport other than public transport; supported employment and rehabilitation such as sheltered employment and training centres for people with a disability; community centres such as day care centres for people with a disability; financial assistance not primarily related to inadequate earning capacity such as concessions specifically for people with a disability (transport and material assistance, etc.); payments made to institutions for children with a disability; pensions and other benefits paid to ex-service personnel to compensate for invalidity and other permanent disablement resulting from service in the defence forces; information sessions on and for people with a disability, meals on wheels.

Excludes: Cash benefits and benefits in kind paid to disabled persons on reaching the standard retirement age (classified to *old age* (COFOG-A 1011)); repatriation benefits payable only to ex-service personnel (classified to the appropriate class of COFOG-A 07); medical services (classified to the appropriate class of COFOG-A 07); nursing and convalescent home services (classified to *nursing and convalescent home services* (COFOG-A 0734)); domiciliary nursing services not provided as part of a welfare-type package (classified to *community health services not elsewhere classified* (COFOG-A 0759)).

Old age (COFOG-A 101)

A1C.210 *Old age* (COFOG-A 101) consists of government expenditure on old age. This category is further classified into:

- *old age* (COFOG-A 1011).

Old age (COFOG-A 1011)

A1C.211 *Old age* (COFOG-A 1011) consists of:

- the provision of social protection in the form of cash benefits and benefits in kind against the risks linked to old age (loss of income, inadequate income, lack of independence in carrying out daily tasks, reduced participation in social and community life, etc.);
- the administration, operation or support of such social protection schemes;
- cash benefits, such as old-age pensions paid to persons on reaching the standard retirement age, anticipated old-age pensions paid to older workers who retire before the standard retirement age, partial retirement pensions paid either before or after the standard retirement age to older workers who continue working but reduce their working hours, care allowances, other periodic or lump-sum payments paid upon retirement or on account of old age; and
- benefits in kind, such as lodging and sometimes board provided to elderly persons either in specialised institutions or staying with families in appropriate establishments, assistance provided to elderly persons to help them with daily tasks (home help, transport facilities, etc.), allowances paid to the person who looks after an elderly person, miscellaneous services and goods provided to elderly persons to enable them to participate in leisure and cultural activities or to travel or to participate in community life.

Includes: Pension schemes for military personnel and for government employees; administration of war veterans' affairs; respite care; domestic and personal assistance such as services provided through the Home and Community Care Program; services delivered by residential institutions such as aged care hostels, retirement villages and homes; financial assistance not primarily related to inadequate earning capacity such as concessions for aged persons (transport and material assistance, etc.); community centres such as senior citizens centres; provision of aged information sessions; meals on wheels.

Excludes: Early retirement benefits paid to older workers who retire before reaching standard retirement age due to disability (classified to *disability* (COFOG-A 1002)) or unemployment (classified to *unemployment* (COFOG-A 1041)); medical services (classified to the appropriate class of COFOG-A 07); nursing and convalescent home services (classified to *nursing and convalescent home services* (COFOG-A 0734)); domiciliary nursing services not provided as part of a welfare-type package (classified to *community health services not elsewhere classified* (COFOG-A 0759)); construction or purchase of housing for the general public or for people with special needs (classified to *housing development* (COFOG-A 0611)).

Survivors (COFOG-A 102)

A1C.212 *Survivors* (COFOG-A 102) consists of government expenditure on survivors. This category is further classified into:

- *survivors* (COFOG-A 1021).

Survivors (COFOG-A 1021)

A1C.213 *Survivors* (COFOG-A 1021) consists of:

- the provision of social protection in the form of cash benefits and benefits in kind to persons who are survivors of a deceased person (such as the person's spouse, ex-spouse, children, grandchildren, parents or other relatives);
- the administration, operation or support of such social protection schemes;
- cash benefits, such as survivors' pensions, death grants, other periodic or lump-sum payments to survivors; and
- benefits in kind, such as payments towards funeral expenditure, miscellaneous services and goods provided to survivors to enable them to participate in community life.

Includes: Pensions and other benefits paid to war widows and war orphans; pensions and other benefits paid to widows who have no recent workforce experience; benefits paid where both parents of a child are deceased or are unable to care for the child in certain circumstances.

Family and children (COFOG-A 103)

A1C.214 *Family and children* (COFOG-A 103) consists of government expenditure on family and children. This category is further classified into:

- *family and children* (COFOG-A 1031).

Family and children (COFOG-A 1031)

A1C.215 *Family and children* (COFOG-A 1031) consists of:

- the provision of social protection in the form of cash benefits and benefits in kind to households with dependent children;
- the administration, operation or support of such social protection schemes;
- cash benefits, such as maternity allowances, birth grants, parental leave benefits, family or child allowances, other periodic or lump-sum payments to support households and help them meet the costs of specific needs (for example, those of the lone parent families or families with handicapped children); and
- benefits in kind, such as shelter and board provided to pre-school children during the day or part of the day, financial assistance towards payment of a nurse to look after children during the day, shelter and board provided to children and families on a permanent basis (orphanages, foster families, etc.), goods and services provided at home to children or to those who care for them, miscellaneous services and goods provided to families, young people or children (holiday and leisure centres).

Includes: Long day care centres; family day care; occasional care; play centres, crèches, other child care centres; outside school hours care; subsidies for child care assistance; rebates for child care; substitute care both short term and permanent; information, advice and referral particularly in adoption; development and monitoring of family/household management skills; specialist homelessness services for youth provided under the National Affordable Housing Agreement; protective investigation; protective supervision; statutory guardianship management; protective accommodation; services delivered by residential institutions such as centres, villages, shelters, hostels, youth refuges, juvenile hostels, campus homes and family group homes; administration and operation of temporary or longer term emergency housing, including women's shelters; marriage and child/juvenile counselling; assessment and evaluation of offenders by non-judicial bodies; payments made to households on a per child basis such as Family Tax Benefit.

Excludes: Family planning services (classified to *public health services* (COFOG-A 0761)); payments made to institutions for children with a disability (classified to *disability* (COFOG-A 1002)); transportation services to students (classified to *transportation of non-urban school students* (COFOG-A 0951) or *transportation of other students* (COFOG-A 0952)); pre-primary education programs delivered in a school-type environment, designed to bridge the gap between home and school atmosphere (classified to *government pre-primary education* (COFOG-A 0911) or *non-government pre-primary education* (COFOG-A 0912)); construction or purchase of housing for the general public or for people with special needs (classified to *housing development* (COFOG-A 0611)).

Unemployment (COFOG-A 104)

A1C.216 *Unemployment* (COFOG-A 104) consists of government expenditure on unemployment. This category is further classified into:

- *unemployment* (COFOG-A 1041).

Unemployment (COFOG-A 1041)

A1C.217 *Unemployment* (COFOG-A 1041) consists of:

- the provision of social protection in the form of cash benefits and benefits in kind to persons who are capable of work, available for work but are unable to find suitable employment;
- the administration, operation or support of such social protection schemes;
- cash benefits, such as full and partial unemployment benefits, early retirement benefits paid to older workers who retire before reaching the standard retirement age due to unemployment or job reduction caused by economic measures, allowances to targeted groups in the labour force who take part in training schemes intended to develop their potential for employment, redundancy compensation, other periodic or lump-sum payments to the unemployed, particularly the long-term unemployed; and
- benefits in kind, such as mobility and resettlement payments, vocational training provided to persons without a job or retraining provided to persons at risk of losing their job, accommodation, food or clothes provided to unemployed persons and their families.

Excludes: General programs or schemes directed towards increasing labour mobility, reducing the rate of unemployment or promoting the employment of disadvantaged or other groups characterised by high unemployment (classified to *general labour affairs* (COFOG-A 0412)); cash benefits and benefits in kind paid to unemployed persons on reaching the standard retirement age (classified to *old age* (COFOG-A 1011)); government labour exchanges (classified to *general labour affairs* (COFOG-A 0412)); unemployment relief grants (classified according to function or to *general labour affairs* (COFOG-A 0412)); cash benefits and benefits in kind paid to people who are sick and thereby suffer loss of income due to work incapacity (classified to *sickness* (COFOG-A 1001)); Special Benefit (classified to *social exclusions not elsewhere classified* (COFOG-A 1069)).

Housing (COFOG-A 105)

A1C.218 *Housing* (COFOG-A 105) consists of government expenditure on housing. This category is further classified into:

- *housing* (COFOG-A 1051).

Housing (COFOG-A 1051)

A1C.219 *Housing* (COFOG-A 1051) consists of:

- the provision of social protection in the form of benefits in kind to help households meet the cost of housing (recipients of these benefits are means tested);
- the administration, operation or support of such social protection schemes; and
- benefits in kind, such as payments made on a temporary or long-term basis to help tenants with rent costs, payments to alleviate the current housing costs of owner-occupiers (that is to help with payment mortgages or interest), provision of low-cost or social housing.

Includes: Rental subsidies and allowances; low cost mortgage financing for home building or purchase; conditional financial assistance for the construction of homes; financing of homes for ex-service personnel.

Social exclusion not elsewhere classified (COFOG-A 106)

A1C.220 *Social exclusion not elsewhere classified* (COFOG-A 106) consists of government expenditure on social exclusion not elsewhere classified. This category is further classified into:

- social exclusion not elsewhere classified (COFOG-A 1069).

Social exclusion not elsewhere classified (COFOG-A 1069)

A1C.221 *Social exclusion not elsewhere classified* (COFOG-A 1069) consists of:

- the provision of social protection in the form of cash benefits and benefits in kind to persons who are socially excluded or at risk of social exclusion (such as persons who are destitute, low-income earners, immigrants, indigenous people, refugees, alcohol and substance abusers, victims of criminal violence, etc.);
- the administration and operation of such social protection schemes;
- cash benefits, such as income support and other cash payments to the destitute and vulnerable persons to help alleviate poverty or assist in difficult situations; and
- benefits in kind, such as short-term and long-term shelter and board provided to destitute and vulnerable persons, rehabilitation of alcohol and substance abusers, services and goods to help vulnerable persons such as counselling, day shelter, help with carrying out daily tasks, food, clothing, fuel, etc.

Includes: Payments such as Special Benefit; assistance for homeless people other than youth such as that provided under the National Affordable Housing Agreement; information, advice and referral services; prisoners' aid; care of refugees; premarital education; Aboriginal and Torres Strait Islander welfare services; general casework services which lead to the determination of eligibility for income assistance or welfare services; benefits in kind provided to persons in times of personal and family emergencies; financial assistance (other than for the aged and the disabled) not primarily related to inadequate earning capacity; community and management support; assistance for individuals or households with inadequate earning capacity such as telephone, rental, postal, transport and rate concessions; drug and alcohol treatment and prevention programs such as petrol sniffing programs and living with alcohol programs.

Excludes: Transportation services to students (classified to *transportation of non-urban school students* (COFOG-A 0951) or *transportation of other students* (COFOG-A 0952)); nursing and convalescent home services (classified to *nursing and convalescent home services* (COFOG-A 0734)).

Research and development - social protection (COFOG-A 107)

A1C.222 *Research and development - social protection* (COFOG-A 107) consists of government expenditure on research and development related to social protection. Definitions of basic research, applied research and experimental development are given under COFOG-A 014 and COFOG-A 015. This category is further classified into:

- research and development - social protection (COFOG-A 1071).

Research and development - social protection (COFOG-A 1071)

A1C.223 *Research and development - social protection* (COFOG-A 1071) consists of:

- the administration and operation of government agencies engaged in applied research and experimental development related to social protection; and
- grants, loans and subsidies to support applied research and experimental development related to social protection undertaken by non-government bodies such as research institutes and universities.

Excludes: Basic research (classified to *basic research* (COFOG-A 0141)).

Social protection not elsewhere classified (COFOG-A 109)

A1C.224 *Social protection not elsewhere classified* (COFOG-A 109) consists of government expenditure on social protection not elsewhere classified. This category is further classified into:

- *natural disaster relief* (COFOG-A 1091); and
- *social protection not elsewhere classified* (COFOG-A 1099).

Natural disaster relief (COFOG-A 1091)

A1C.225 *Natural disaster relief* (COFOG-A 1091) consists of:

- the provision of social protection in the form of cash benefits and benefits in kind to victims of natural disasters; and
- the administration, planning, operation or support of services relating to natural disaster relief.

Includes: Programs concerned with the immediate relief of victims of drought, fires, floods, cyclones, earthquakes and other natural disasters; programs concerned with the initial restoration of community services and facilities; purchase and storage of food, equipment and other supplies for emergency use in the case of natural disasters; operations of state emergency services that can be allocated to natural disaster relief.

Excludes: Maintenance of state emergency services, such as through local government contributions (classified to *civil protection services* (COFOG-A 0321)); state emergency service operations that cannot be allocated to natural disaster relief (classified to *civil protection services* (COFOG-A 0321)); relief of victims of man-made disasters (classified to *social protection not elsewhere classified* (COFOG-A 1099)); reconstruction activities following man-made disasters (classified to according to function); long term reconstruction and relief activities following natural disasters (classified according to function).

Social protection not elsewhere classified (COFOG-A 1099)

A1C.226 Social protection not elsewhere classified (COFOG-A 1099) consists of:

- the administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall social protection policies, plans, programs and budgets; preparation and enforcement of legislation and standards for the provision of social protection; production and dissemination of general information, technical documentation and statistics on social protection.

Includes: Provision of social protection in the form of cash benefits and benefits in kind to victims of man-made disasters; purchase and storage of food equipment and other supplies for emergency use in the case of man-made disasters; financial compensation to individuals or their families, who as victims of criminal activities suffered injury, illness or death; social protection affairs and services that cannot be classified to *sickness and disability* (COFOG-A 100), *old age* (COFOG-A 101), *survivors* (COFOG-A 102), *family and children* (COFOG-A 103), *unemployment* (COFOG-A 104), *housing* (COFOG-A 105), *social exclusion not elsewhere classified* (COFOG-A 106), *research and development - social protection* (COFOG-A 107) or *natural disaster relief* (COFOG-A 1091).

Excludes: Relief of victims of natural disasters (classified to *natural disaster relief* (COFOG-A 1091)).

TRANSPORT (COFOG-A 11)

A1C.227 *Transport* (COFOG-A 11) consists of government expenditure on transport. Urban areas in each state / territory include the capital city and the commuter population areas for the capital city. Non-urban areas in each state / territory are residual to the urban areas. This category is further classified into:

- *road transport* (COFOG-A 111);
- *bus transport* (COFOG-A 112);
- *water transport* (COFOG-A 113);
- *railway transport* (COFOG-A 114);
- *air transport* (COFOG-A 115);
- *multi-mode urban transport* (COFOG-A 116);
- *pipeline and other transport* (COFOG-A 117);
- *research and development - transport* (COFOG-A 118); and
- *transport not elsewhere classified* (COFOG-A 119).

Road transport (COFOG-A 111)

A1C.228 *Road transport* (COFOG-A 111) consists of government expenditure on road transport. The breakdown of road transport is based upon the National Transport Commission (NTC) expenditure reporting categories as outlined in the NTC information paper *Estimating Road Construction and Maintenance Expenditure* released in September 2003. This category is further classified into:

- *road maintenance* (COFOG-A 1111);
- *road rehabilitation* (COFOG-A 1112);
- *road construction* (COFOG-A 1113); and
- *road transport not elsewhere classified* (COFOG-A 1119).

A1C.229 Please note that *road maintenance* (COFOG-A 1111) is based on NTC categories A, B and C; *road rehabilitation* (COFOG-A 1112) is based on NTC category D; *road construction* (COFOG-A 1113) is based on NTC category F and *road transport not elsewhere classified* (COFOG-A 1119) is based on NTC categories E and G.

Road maintenance (COFOG-A 1111)

A1C.230 *Road maintenance* (COFOG-A 1111) consists of:

- the administration of affairs and services concerning the operation and maintenance of road transport systems and facilities (roads, bridges, tunnels, parking facilities, etc.);
- the supervision and regulation of road maintenance;
- the operation of non-enterprise-type road transport systems and facilities;
- the production and dissemination of general information, technical documentation and statistics on road transport system operations; and
- grants, loans or subsidies to support the operation and maintenance of road transport systems and facilities.

<u>Includes</u>: Highways; urban and rural roads; streets; bicycle paths; footpaths; lighting affairs and services associated with the operation of highways; maintenance, repairs and operating charges for traffic signals; cleaning, maintenance and repairs to drains; servicing of roadside rest areas; maintenance of vegetation on roadsides, rest areas, median strips and other green roadside areas including grass mowing; snow clearing; maintenance and cleaning of roadside furniture including signs; repainting pavement markings; traffic monitoring and recording; pavement condition monitoring and recording; surveillance and provision of emergency services on major roads and bridges; routine road pavement and shoulder maintenance including pot hole repairs, crack sealing, edge repairs, shoulder grading and resheeting of unsealed roads and shoulders; periodic surface maintenance of sealed roads and shoulders including maintenance reseals/enrichments, thin asphalt overlays (less than 25 millimetres) and asphalt retreatment and regulation; provision of materials and preparation for road pavement and shoulder maintenance work;

maintenance and rehabilitation of bridges and culverts including bridge painting and bridge repairs such as replacement of bridge railings and decking.

Excludes: Road traffic control (classified to *police services* (COFOG-A 0311)); grants, loans and subsidies to road vehicle manufacturers (classified to *manufacturing* (COFOG-A 0442)); street cleaning, pavement sweeping and litter collection (classified to *waste management not elsewhere classified* (COFOG-A 0519)); construction of noise embankments, hedges and other anti-noise facilities including the resurfacing of sections of urban highways with noise reducing surfaces (classified to *pollution abatement* (COFOG-A 0531)); street lighting (classified to *street lighting* (COFOG-A 0641)); transportation services to students (classified to *transportation of non-urban school students* (COFOG-A 0951) or *transportation of other students* (COFOG-A 0952)); regulation and monitoring of pollution arising from motor vehicle operation (classified to *pollution abatement* (COFOG-A 0531)); multi-mode urban transport systems where separate road transport data are not available (classified to *multi-mode urban transport* (COFOG-A 1161)); reinstating failed road pavements to existing standards (classified to *road rehabilitation* (COFOG-A 1112)); maintenance of off-road recreation walkways and cycle paths (classified to *recreational and sporting services* (COFOG-A 0811)).

Road rehabilitation (COFOG-A 1112)

A1C.231 *Road rehabilitation* (COFOG-A 1112) consists of;

- the administration of affairs and services concerning the rehabilitation of failed road pavements to existing standards to improve the ride quality and/or correct pavement shape without improving the design standard;
- the supervision and regulation of road rehabilitation; and
- grants, loans or subsidies to support the rehabilitation of failed road pavements to existing standards.

Includes: Major road pavement patching in excess of 500 square metres; resheeting of sealed roads; reconstruction of failed pavements; asphalt overlays over 25 millimetres.

Excludes: Operation and administration of improvements in the design standard of existing roads (classified to *road construction* (COFOG-A 1113)); minor maintenance such as patching and thin asphalt overlays (classified to *road maintenance* (COFOG-A 1111)); rehabilitation of off-road recreation walkways and cycle paths (classified to *recreational and sporting services* (COFOG-A 0811)).

Road construction (COFOG-A 1113)

A1C.232 *Road construction* (COFOG-A 1113) consists of:

- the administration of affairs and services concerning construction of new road transport systems and facilities (roads, bridges, tunnels, parking facilities, etc.) and the improvement of the design standard of existing roads;
- the supervision and regulation of road construction and improvement;
- the construction of non-enterprise-type road transport systems and facilities;
- the production and dissemination of general information, technical documentation and statistics on road construction or improvement activities; and
- grants, loans or subsidies to support the construction of road transport systems and facilities.

Includes: Highways; urban and rural roads; streets; bicycle paths; footpaths; lighting affairs and services associated with the construction of highways; pavement widening; road realignments; new auxiliary lanes; road duplications; sealing of unsealed roads; new routes; construction of new and replacement bridges and culverts; bridge duplications and widening; land acquisition costs associated with future road improvement projects; maintenance costs of acquired land for future road improvement projects; earthworks costs associated with road improvements including plant costs (plant hire, plant depreciation, maintenance and repairs to plant, etc.) and administrative and supervision costs associated with earthworks; project planning and design including public consultation; surveying; project site establishment including site clearance and establishment of project site offices and depots; provision of drainage facilities; installation of traffic signals; provision of road furniture; provision of rest areas; provision of pedestrian facilities;

landscaping associated with road construction or improvement projects.

Excludes: Construction of noise embankments, hedges and other anti-noise facilities including the resurfacing of sections of urban highways with noise reducing surfaces (classified to *pollution abatement* (COFOG-A 0531)); street lighting (classified to *street lighting* (COFOG-A 0641)); maintenance of off-road recreation walkways and cycle paths (classified to *recreational and sporting services* (COFOG-A 0811)).

Road transport not elsewhere classified (COFOG-A 1119)

A1C.233 *Road transport not elsewhere classified* (COFOG-A 1119) consists of:

- the administration of affairs and services relating to minor safety and traffic improvements; and
- the supervision and regulation of road users (vehicle and driver licensing, vehicle safety inspection, size and load specifications for passenger and freight road transport, regulation of hours of work of coach and lorry drivers, etc.), of road transport system operations (granting of franchises, approval of freight tariffs and passenger fares and of hours and frequency of service, etc.) and of minor safety and traffic improvements.

Includes: Minor safety/traffic improvements such as installation or relocation of road furniture, provision of new painted road markings, installation of new traffic signals including provision of new traffic signal linking systems, installation of new pedestrian crossings, installation of new raised pavement markers; installation of rail crossing boom barriers; enforcement of heavy vehicle regulations such as on-road vehicle inspections, construction and maintenance of weigh bridges, heaving vehicle monitoring and surveillance; provision of road transport corporate services; administration and operation of on and off street parking; car parking attendants and inspectors and the collection of fees and fines associated with parking; road transport affairs and services that cannot be classified to *road maintenance* (COFOG-A 1111), *road rehabilitation* (COFOG-A 1112) or *road construction* (COFOG-A 1113).

Excludes: Safety or traffic improvements made as part of a wider road improvement projects (classified to *road construction* (COFOG-A 1113)); road traffic control (classified to *police services* (COFOG-A 0311)); grants, loans and subsidies to road vehicle manufacturers (classified to *manufacturing* (COFOG-A 0442)); accident/safety research (classified to *research and development - transport* (COFOG-A 1181)); transportation services to students (classified to *transportation of non-urban school students* (COFOG-A 0951) or *transportation of other students* (COFOG-A 0952)); street lighting (classified to *street lighting* (COFOG-A 0641)); transport of waste products (classified to the appropriate class of COFOG-A 05); dedicated car parking facilities provided to the chief executive, the legislature and their aides (classified to *executive and legislative organs* (COFOG-A 0111)).

Bus transport (COFOG-A 112)

A1C.234 *Bus transport* (COFOG-A 112) consists of government expenditure on bus transport. This category is further classified into:

- *urban bus transport* (COFOG-A 1121); and
- *non-urban bus transport* (COFOG-A 1122).

Urban bus transport (COFOG-A 1121)

A1C.235 *Urban bus transport* (COFOG-A 1121) consists of;

- the administration of affairs and services concerning operation, use, construction or maintenance of urban bus transport systems and facilities;
- the supervision and regulation of urban bus transport users (passenger safety, freight security, regulation of hours of work of bus drivers, etc.), of urban bus transport system operations (granting of franchises, approval of passenger fares and of hours and frequency of service, etc.) and of urban bus transport facility construction and maintenance;
- the construction or operation of non-enterprise-type urban bus transport systems and facilities;
- the production and dissemination of general information, technical documentation and statistics on urban bus transport system operations and urban bus transport facility construction; and
- grants, loans or subsidies to support the operation, construction, maintenance or upgrading of urban bus transport systems and facilities.

<u>Includes</u>: Cleaning and maintenance of urban bus shelters and terminals; cleaning of urban bus transport; planning and designing urban bus transport systems and facilities; urban bus transport connected with tourism.

<u>Excludes</u>: Bus transportation services to students (classified to *transportation of non-urban school students* (COFOG-A 0951) or *transportation of other students* (COFOG-A 0952)).

Non-urban bus transport (COFOG-A 1122)

A1C.236 *Non-urban bus transport* (COFOG-A 1122) consists of:

- the administration of affairs and services concerning operation, use, construction or maintenance of non-urban bus transport systems and facilities;
- the supervision and regulation of non-urban bus transport users (passenger safety, security of freight, etc.), of non-urban bus transport system operations (granting of franchises, approval of passenger fares and of hours and frequency of service, etc.) and of non-urban bus transport facility construction and maintenance;
- the construction or operation of non-enterprise-type non-urban bus transport systems and facilities;
- the production and dissemination of general information, technical documentation and statistics on non-urban bus transport system operations and non-urban bus transport facility construction; and
- grants, loans or subsidies to support the operation, construction, maintenance or upgrading of non-urban bus transport systems and facilities.

<u>Includes</u>: Cleaning and maintenance of non-urban bus shelters and terminals; cleaning of non-urban bus transport; planning and designing non-urban bus transport systems and facilities; non-urban bus transport connected with tourism.

<u>Excludes</u>: Bus transportation services to students (classified to *transportation of non-urban school students* (COFOG-A 0951) or *transportation of other students* (COFOG-A 0952)).

Water transport (COFOG-A 113)

A1C.237 *Water transport* (COFOG-A 113) consists of government expenditure on water transport. This category is further classified into:

- *urban water transport passenger services*(COFOG-A 1131);
- *urban water transport freight services* (COFOG-A 1132); and
- *non-urban water transport services* (COFOG-A 1133).

Urban water transport passenger services (COFOG-A 1131)

A1C.238 *Urban water transport passenger services* (COFOG-A 1131) consists of:

- the administration of affairs and services concerning operation, use, construction and maintenance of urban passenger water transport systems and facilities (harbours, docks, navigation aids and equipment, canals, bridges, tunnels, channels, breakwaters, piers, wharves, terminals, etc.);
- the supervision and regulation of urban passenger water transport users (registration, licensing and inspection of vessels and crews, regulations concerning passenger safety, freight security, etc.), of urban passenger water transport system operations (granting of franchises, approval of passenger fares and of hours and frequency of service, etc.) and of urban passenger water transport facility construction and maintenance;
- the construction or operation of non-enterprise-type urban passenger water transport systems and facilities (such as ferries);
- the production and dissemination of general information, technical documentation and statistics on urban passenger water transport system operations and on urban passenger water transport facility construction activities; and
- grants, loans or subsidies to support the operation, construction, maintenance or upgrading of urban passenger water transport systems and facilities.

<u>Includes</u>: Radio and satellite navigation aids; emergency rescue and towing services; dockyards; operation of pilots and tugs.

<u>Excludes</u>: Grants, loans and subsidies to shipbuilders (classified to *manufacturing* (COFOG-A 0442)); control of water traffic involving direct action by police (classified to *police services* (COFOG-A 0311)); customs

authorities (classified to *financial and fiscal affairs* (COFOG-A 0112)); integrated urban transit systems where separate water transport data is not available (classified to *multi-mode urban transport* (COFOG-A 1161)); construction and maintenance of jetties, piers and wharves for use in recreational activities such as fishing and boating (classified to *recreational and sporting services* (COFOG-A 0811)).

Urban water transport freight services (COFOG-A 1132)

A1C.239 *Urban water transport freight services* (COFOG-A 1132) consists of:

- the administration of affairs and services concerning operation, use, construction and maintenance of urban freight water transport systems and facilities (harbours, docks, navigation aids and equipment, canals, bridges, tunnels, channels, breakwaters, piers, wharves, terminals, etc.);
- the supervision and regulation of urban freight water transport users (registration, licensing and inspection of vessels and crews, regulations concerning freight security, etc.), of urban freight water transport system operations (granting of franchises, approval of freight tariffs and of hours and frequency of service, etc.) and of urban freight water transport facility construction and maintenance;
- the construction or operation of non-enterprise-type urban freight water transport systems and facilities;
- the production and dissemination of general information, technical documentation and statistics on urban freight water transport system operations and on urban freight water transport facility construction activities; and
- grants, loans or subsidies to support the operation, construction, maintenance or upgrading of urban freight water transport systems and facilities.

Includes: Outlays on radio and satellite navigation aids; emergency rescue and towing services; dockyards; operation of pilots and tugs.

Excludes: Grants, loans and subsidies to shipbuilders (classified to *manufacturing* (COFOG-A 0442)); control of water traffic involving direct action by police (classified to *police services* (COFOG-A 0311)); customs authorities (classified to *financial and fiscal affairs* (COFOG-A 0112)); integrated urban transit systems where separate water transport data is not available (classified to *multi-mode urban transport* (COFOG-A 1161)); construction and maintenance of jetties, piers and wharves for use in recreational activities such as fishing and boating (classified to *recreational and sporting services* (COFOG-A 0811)).

Non-urban water transport services (COFOG-A 1133)

A1C.240 *Non-urban water transport services* (COFOG-A 1133) consists of:

- administration of affairs and services concerning operation, use, construction and maintenance of non-urban water transport systems and facilities (harbours, docks, navigation aids and equipment, canals, bridges, tunnels, channels, breakwaters, piers, wharves, terminals, etc.);
- the supervision and regulation of non-urban water transport users (registration, licensing and inspection of vessels and crews, regulations concerning passenger safety and freight security, etc.), of non-urban water transport system operations (granting of franchises, approval of freight tariffs and passenger fares and of hours and frequency of service, etc.) and of non-urban water transport facility construction and maintenance;
- the construction or operation of non-enterprise-type non-urban water transport systems and facilities (such as ferries);
- the production and dissemination of general information, technical documentation and statistics on non-urban water transport system operations and on non-urban water transport facility construction activities; and
- grants, loans or subsidies to support the operation, construction, maintenance or upgrading of non-urban water transport systems and facilities.

Includes: Radio and satellite navigation aids; emergency rescue and towing services; dockyards; operation of pilots and tugs.

Excludes: Grants, loans and subsidies to shipbuilders (classified to *manufacturing* (COFOG-A 0442)); control of water traffic involving direct action by police (classified to *police services* (COFOG-A 0311)); customs authorities (classified to *financial and fiscal affairs* (COFOG-A 0112)); construction and maintenance of jetties, piers and wharves for use in recreational activities such as fishing and boating (classified to *recreational and sporting services* (COFOG-A 0811)).

Railway transport (COFOG-A 114)

A1C.241 *Railway transport* (COFOG-A 114) consists of government expenditure on railway transport. This category is further classified into:

- *urban railway transport services* (COFOG-A 1141);
- *non-urban railway transport freight services* (COFOG-A 1142); and
- *non-urban railway transport passenger services* (COFOG-A 1143).

Urban railway transport services (COFOG-A 1141)

A1C.242 *Urban railway transport services* (COFOG-A 1141) consists of:

- the administration of affairs and services concerning operation, use, construction or maintenance of urban railway transport systems and facilities (railway roadbeds, terminals, tunnels, bridges, embankments, cuttings, etc.);
- the supervision and regulation of urban railway users (rolling stock condition, roadbed stability, passenger safety, freight security, etc.), of urban railway transport system operations (granting of franchises, approval of freight tariffs and passenger fares and of hours and frequency of service, etc.) and of urban railway construction and maintenance;
- the construction or operation of non-enterprise-type urban railway transport systems and facilities;
- the production and dissemination of general information, technical documentation and statistics on urban railway transport system operations and on urban railway construction activities; and
- grants, loans or subsidies to support the operation, construction, maintenance or upgrading of urban railway transport systems and facilities.

Includes: Long-line and interurban railway transport systems; urban rapid transit railway transport systems and street railway transport systems; acquisition and maintenance of rolling stock; planning and designing urban railway transport systems and facilities.

Excludes: Grants, loans and subsidies to rolling stock manufacturers (classified to *manufacturing* (COFOG-A 0442)); construction of noise embankments, hedges and other anti-noise facilities including the resurfacing of sections of railways with noise reducing surfaces (classified to *pollution abatement* (COFOG-A 0531)); integrated urban transit systems where separate urban railway transport data is not available (classified to *multi-mode urban transport* (COFOG-A 1161)).

Non-urban railway transport freight services (COFOG-A 1142)

A1C.243 Non-urban railway transport freight services (COFOG-A 1142) consists of:

- the administration of affairs and services concerning operation, use, construction or maintenance of non-urban freight railway transport systems and facilities (railway roadbeds, terminals, tunnels, bridges, embankments, cuttings, etc.);
- the supervision and regulation of non-urban freight railway users (rolling stock condition, roadbed stability, freight security, etc.), of non-urban freight railway transport system operations (granting of franchises, approval of freight tariffs and of hours and frequency of service, etc.) and of non-urban freight railway construction and maintenance;
- the construction or operation of non-enterprise-type non-urban freight railway transport systems and facilities;
- the production and dissemination of general information, technical documentation and statistics on non-urban freight railway transport system operations and non-urban freight railway construction activities; and
- grants, loans or subsidies to support the operation, construction, maintenance or upgrading of non-urban freight railway transport systems and facilities.

Includes: Long-line railway transport systems; acquisition and maintenance of rolling stock; planning and designing non-urban freight railway transport systems and facilities.

Excludes: Grants, loans and subsidies to rolling stock manufacturers (classified to *manufacturing* (COFOG-A 0442)); construction of noise embankments, hedges and other anti-noise facilities including the resurfacing of sections of railways with noise reducing surfaces (classified to *pollution abatement* (COFOG-A 0531)).

Non-urban railway transport passenger services (COFOG-A 1143)

A1C.244 *Non-urban railway transport passenger services* (COFOG-A 1143) consists of;

- the administration of affairs and services concerning operation, use, construction or maintenance of non-urban passenger railway transport systems and facilities (railway roadbeds, terminals, tunnels, bridges, embankments, cuttings, etc.);
- the supervision and regulation of non-urban passenger railway users (rolling stock condition, roadbed stability, passenger safety, etc.), of non-urban passenger railway transport system operations (granting of franchises, approval of passenger fares and of hours and frequency of service, etc.) and of non-urban passenger railway construction and maintenance;
- the construction or operation of non-enterprise-type non-urban passenger railway transport systems and facilities;
- the production and dissemination of general information, technical documentation and statistics on non-urban passenger railway transport system operations and non-urban passenger railway construction activities; and
- grants, loans or subsidies to support the operation, construction, maintenance or upgrading of non-urban passenger railway transport systems and facilities.

Includes: Long-line railway transport systems; street railway transport systems; acquisition and maintenance of rolling stock; planning and designing non-urban passenger railway transport systems and facilities.

Excludes: Grants, loans and subsidies to rolling stock manufacturers (classified to *manufacturing* (COFOG-A 0442)); construction of noise embankments, hedges and other anti-noise facilities including the resurfacing of sections of railways with noise reducing surfaces (classified to *pollution abatement* (COFOG-A 0531)).

Air transport (COFOG-A 115)

A1C.245 *Air transport* (COFOG-A 115) consists government expenditure on air transport. This category is further classified into:

- *air transport* (COFOG-A 1151).

Air transport (COFOG-A 1151)

A1C.246 *Air transport* (COFOG-A 1151) consists of:

- the administration of affairs and services concerning operation, use, construction and maintenance of air transport systems and facilities (airports, runways, terminals, hangars, navigation aids and equipment, air control amenities, etc.);
- the supervision and regulation of air transport users (registration, licensing and inspection of aircraft, pilots, crews, ground crews, regulations concerning passenger safety, investigation of air transport accidents, etc.), of air transport system operations (allocation of routes, approval of freight tariffs and passenger fares and of frequency and levels of service, etc.) and of air transport facility construction and maintenance;
- the construction or operation of non-enterprise-type public air transport services and facilities;
- the production and dissemination of general information, technical documentation and statistics on air transport system operations and on air transport facility construction; and
- grants, loans or subsidies to support the operation, construction, maintenance or upgrading of air transport systems and facilities.

Includes: Radio and satellite navigation aids; emergency rescue services; scheduled and non-scheduled freight and passenger services; regulation and control of flying by private individuals; planning and designing air transport systems and facilities; aerodromes.

Excludes: Grants, loans and subsidies to aircraft manufacturers (classified to *manufacturing* (COFOG-A 0442)); establishment and regulation of pollution standards (classified to the appropriate class of COFOG-A 053).

Multi-modal urban transport (COFOG-A 116)

A1C.247 *Multi-modal urban transport (*COFOG-A 116) consists of government expenditure on multi-modal urban transport. This category is further classified into:

- *multi-mode urban transport* (COFOG-A 1161).

Multi-mode urban transport (COFOG-A 1161)

A1C.248 *Multi-mode urban transport* (COFOG-A 1161) consists of:

- the administration of affairs and services concerning operation, use, construction and maintenance of multi-mode urban transport systems and facilities, that is public transport systems and facilities where road, rail and ferry transport outlays cannot be separated;
- the supervision and regulation of multi-mode urban transport users (registration, licensing and inspection of equipment; regulations concerning passenger safety, etc.), of multi-mode urban transport system operations (approval of passenger fares and of frequency and levels of service, etc.) and of multi-mode urban transport facility construction and maintenance;
- the construction or operation of non-enterprise-type multi-mode urban transport services and facilities;
- the production and dissemination of general information, technical documentation and statistics on multi-mode urban transport system operations and on multi-mode urban transport facility construction; and
- grants, loans or subsidies to support the operation, construction, maintenance or upgrading of multi-mode urban transport systems and facilities.

Excludes: Outlays that can be allocated to a specific transport mode (classified to the appropriate class of COFOG-A 11).

Pipeline and other transport (COFOG-A 117)

A1C.249 *Pipeline and other transport* (COFOG-A 117) consists of government expenditure on pipeline and other transport. This category is further classified into:

- *pipeline and other transport* (COFOG-A 1171).

Pipeline and other transport (COFOG-A 1171)

A1C.250 *Pipeline and other transport* (COFOG-A 1171) consists of:

- the administration of affairs and services concerning operation, use, construction and maintenance of pipeline (used for the transportation of petroleum, natural gas, etc.) and other transport systems (funiculars, cable cars, chair lifts, etc.);
- the supervision and regulation of users of pipeline and other transport systems (registration, licensing, inspection of equipment, operator skills and training, safety standards, etc.), of pipeline and other transport systems operations (granting of franchises, setting tariffs, frequency and levels of service, etc.) and of pipeline and other transport systems construction and maintenance;
- the construction or operation of non-enterprise-type pipeline and other transport systems;
- the production and dissemination of general information, technical documentation and statistics on the operation and construction of pipeline and other transport systems; and
- grants, loans or subsidies to support the operation, construction, maintenance or upgrading of pipeline and other transport systems.

Includes: Planning and designing pipeline transport systems and associated structures such as pumping stations; planning and designing other transport systems.

Research and development - transport (COFOG-A 118)

A1C.251 *Research and development - transport* (COFOG-A 118) consists of government expenditure on research and development relating to transport. Definitions of basic research, applied research and experimental development are given under COFOG-A 014 and COFOG-A 015. This category is further classified into:

- *research and development - transport* (COFOG-A 1181).

Research and development - transport (COFOG-A 1181)

A1C.252 *Research and development - transport* (COFOG-A 1181) consists of:

- the administration and operation of government agencies engaged in applied research and experimental development related to transport; and
- grants, loans or subsidies to support applied research and experimental development related to transport undertaken by non-government bodies such as research institutes and universities.

Includes: Research into road design, road construction methods or materials relating to specific projects; research into specific road maintenance related projects; research into the design and efficiency of parking facilities; transport accident/safety research; research into the design and construction of water transport facilities; research into the design and construction of railway transport facilities; research into the design and construction of air transport facilities; research into the design and construction of bus transport facilities; research into pipeline transport affairs and services; research into multi-mode urban transport affairs and services.

Excludes: Basic research (classified to *basic research* (COFOG-A 0141)).

Transport not elsewhere classified (COFOG-A 119)

A1C.253 *Transport not elsewhere classified* (COFOG-A 119) consists of government expenditure on transport not elsewhere classified. This category is further classified into:

- *transport not elsewhere classified* (COFOG-A 1199).

Transport not elsewhere classified (COFOG-A 1199)

A1C.254 *Transport not elsewhere classified* (COFOG-A 1199) consists of:

- the administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programs and budgets relating to transport; preparation and enforcement of legislation and standards for the provision of transport; production and dissemination of general information, technical documentation and statistics on transport.

Includes: Transport affairs and services that cannot be classified to *road transport* (COFOG-A 111), *bus transport* (COFOG-A 112), *water transport* (COFOG-A 113), *railway transport* (COFOG-A 114), *air transport* (COFOG-A 115), *multi-mode urban transport* (COFOG-A 116), *pipeline and other transport* (COFOG-A 117) or *research and development - transport* (COFOG-A 118).

Excludes: Transportation services to students (classified to *transportation of non-urban school students* (COFOG-A 0951) or *transportation of other students* (COFOG-A 0952)).

APPENDIX 2 - SUMMARY OF CHANGES FROM THE AUSTRALIAN SYSTEM OF GOVERNMENT FINANCE STATISTICS CONCEPTS, SOURCES AND METHODS, 2015

PART A - INTRODUCTION

A2.1 In AGFS 2015, the guidelines in the *Australian System of Government Finance Statistics Concepts, Sources and Methods, 2005* have been revised to align (where possible) with the updates to the IMF GFSM 2014. The AGFS 2015 system addresses important developments in macroeconomic statistics and takes into account improved recording and methodological treatments of various events. The changes incorporated can broadly be summarised as methodological changes, presentational changes, and editorial changes.

A2.2 The AGFS 2015 system retains the basic conceptual framework of its predecessor, the *Australian System of Government Finance Statistics Concepts, Sources and Methods, 2005*. However, AGFS 2015 introduces improved treatments for specific events, elaborates on aspects of reporting that have proved to be complex, and takes into consideration new needs of compilers and users of GFS.

A2.3 This chapter describes the main changes in AGFS 2015, grouped according to the chapters of this manual, compared to the *Australian System of Government Finance Statistics Concepts, Sources and Methods, 2005*.

CHAPTER 1 - INTRODUCTION

A2.4 This chapter remains the introduction to AGFS 2015. The main changes are as follows:

- This chapter has been divided into Parts A, B, C, etc., to assist users to navigate through the chapter.
- An effective date for AGFS 2015 has been added as a new feature, and appears in Part B.
- The discussion on the underlying statistical standards in the former manual has been updated to reflect the current international standards, and appears in Part C.
- The discussion on the scope of GFS in the former manual has been updated to reflect the current international standards, and appears in Part D.
- The discussion on the relationship to the accounting standards in the former manual has been updated to reflect the current Australian Accounting Standards, and appears in Part E.
- The discussion on the basis of recording in the former manual has been updated to reflect current practices, and appears in Part F.
- The analytical balances and purpose of the manual has remained largely unchanged, and they appear in Part G and Part H.
- The organisation of the manual has been updated to reflect the current manual, and appears in Part I.

CHAPTER 2 - INSTITUTIONAL UNITS AND SECTORS

A2.5 This chapter has changed from the *Australian GFS framework* in the former manual to *Institutional units and sectors* in AGFS 2015. The main changes are as follows:

- This chapter has been divided into Parts A, B, C, etc., to assist users to navigate through the chapter.
- The scope and coverage of GFS has been updated to reflect current practices, and appears in Part A.
- The discussion on residence in the former manual has been separated out, and appears in Part B. Further detail has been added in terms of economic territory, territorial enclaves, the centre of predominant economic interest, Australia's economic territory, notional resident institutional units, and international organisations, and each of these elements are separately discussed

- The discussion on institutional units in the former manual has been separated out, and appears in Part C. Detail has been added in terms of the characteristics that identifies an institutional unit in GFS, and the different types of institutional units are discussed separately. Included are details on corporations, quasi-corporations, market producers, non-market producers, general government units, artificial subsidiaries, non-profit institutions, and households.
- The discussion on institutional sectors in the former manual has been separated out, and appears in Part D. Each of the institutional sectors are separately discussed, along with the total public sector. Diagrammatical representations of the total public sector have been added and appear in Table 2.2 and Diagram 2.1. Detail on the sectorisation of central borrowing authorities in Australia in comparison to the IMF GFSM 2014 has also been added.
- The discussion on the level of government classification (LOG) in the former manual has been separated out and appears in Part E. The LOG classification, along with details on each of the levels of government within this classification has been updated, and are separately discussed.
- The discussion on the state of jurisdiction classification (JUR) in the former manual has been separated out and appears in Part F. The JUR classification has been updated to include Norfolk Island.
- Government control of corporations has been added as a new feature, and appears in Part G. Detail on concept of government control has been added, and the eight indicators of control appear in Box 2.1. Government control of non-profit institutions (NPIs) is separately discussed, along with the characteristics of NPIs. Guidance identifying the types of NPIs involved in market and non-market activities has been added. Detail of the five indicators of government control of NPIs has been added and appears in Box 2.2. A decision tree to assist the sector classification of public entities has been added and appears in Diagram 2.2.
- The practical application of sector classification principles has been added as a new feature, and appears in Part H. This contains descriptions and practical application for types of units typically encountered during the compilation of GFS. This guidance includes identifying quasi-corporations; distinguishing head offices and holding companies; identifying restructuring agencies; identifying financial protection schemes; identifying special purpose entities; identifying joint ventures; identifying sinking funds; identifying market regulatory agencies; and identifying development funds and / or infrastructure companies or entities.

CHAPTER 3 - FLOWS, STOCK POSITIONS AND ACCOUNTING RULES

A2.6 This chapter has changed from *Data sources and collection methods* in the former manual to *Flows, Stock Positions and Accounting Rules* in AGFS 2015. The main changes are as follows:

- This chapter has been divided into Parts A, B, C, etc., to assist users to navigate through the chapter.
- The discussion on the definition of economic flows and stocks (appearing in Chapter 2 of the former manual) has been updated, and appears in Part A. The GFS stock position formula has been updated and appears in Box 3.1.
- The discussion on economic flows (appearing in Chapter 2 of the former manual) has been updated, and appears in Part B. The elements that comprise economic flows are separately discussed in terms of transactions; exchanges; transfers; capital transfers; current transfers; combinations of exchanges and transfers; and monetary and non-monetary transactions. The rearrangement of certain GFS transactions in terms of rerouting, partitioning, and reassignment has been added as a new feature, and diagrammatical representations of rerouting and reassignment appear in Diagram 3.1 and Diagram 3.2.
- The discussion on economic stock positions (appearing in Chapter 2 of the former manual) has been updated, and appears in Part C. Economic stock positions are discussed in terms of assets and liabilities. Detailed discussion on financial assets, non-financial assets, liabilities, and contingent liabilities has been added as a new feature. Discussion on economic assets, and the ownership of assets in terms of legal and economic owners, has also been added as a new feature.
- The discussion on accounting rules (appearing in Chapter 2 of the former manual) has been updated to reflect current practices, and appears in Part D. Detail on double entry accounting is discussed, and a table listing the sign conventions used in the GFS accounts has been added as a new feature, and appears in Table 3.1. Further detail has been added on the balance sheet, the time of recording of flows, and the timing of recording specific flows. Practical guidance on the timing of recording of specific flows has been added as a new feature and appears in Table 3.2. Discussion on the recording of flows over extended periods, the cash basis of recording has also been added as a new feature.

- The discussion on the valuation of flows and stock positions in GFS (appearing in Chapter 2 of the former manual) has been updated to reflect current practices, and appears in Part E. A table summarising the treatment of the costs of ownership transfer (COOT) has been added as a new feature and appears in Table 3.3. Also added as a new feature is discussion on the valuation of stock positions in GFS and detail on the estimation of current market value, which appears in Box 3.2. An explanation of other valuation methods including the fair value, nominal value, amortised value, the face value, written down replacement cost, the book value and the historic value have also been added as a new feature. Guidance on special cases where valuation adjustments may be needed to reflect correct values of flow and stock positions has further been added as a special feature. The valuation of other economic flows including holding gains and losses and other changes in the volume of assets and liabilities has been added as a new feature. A table which shows the recording of holding gains and losses in GFS has been added and appears in Table 3.4.
- A discussion on derived measures in GFS has been added as a new feature, and appears in Part F. Discussion on aggregates and analytical balancing items is included as a new feature.
- A discussion on the gross and net recording of flows and stocks in GFS has been added as a new feature, and appears in Part G. Details on the gross and net presentations of flows and stocks as used in the GFS framework is included, and appears as a new feature.
- The detailed discussion on consolidation in GFS (appearing in Chapter 4 of the former manual) has been updated to reflect current practices, and appears in Part H. Consolidation is discussed in terms of intra-sectoral and inter-sectoral consolidation and consolidation groupings in Australian GFS, with a tabular representation of these groupings appearing in Table 3.5 as a new feature. Conceptual guidelines for consolidation (which appear in Box 3.3) and a step by step guide through consolidation has also been added as a new feature.

CHAPTER 4 - THE ANALYTICAL FRAMEWORK

A2.7 This chapter has changed from *Methods of compilation* in the former manual to *The analytical framework* in AGFS 2015. The main changes of this chapter are as follows:

- This chapter has been divided into Parts A, B, C, etc., to assist users to navigate through the chapter.
- A discussion on the analytical objectives of the GFS framework has been added as a new feature, and appears in Part B. A list of the definitions and descriptions of the key analytical balances has also been added,
- The discussion on the structure of the analytical framework (appearing in Chapter 2 of the former manual) has been updated to reflect current practices, and appears in Part C.
- The diagram showing the structure of the analytical framework (appearing in Chapter 2 of the former manual) has been updated to reflect current practices, and an explanation of the elements within this has been added as a new feature. A tabular representation of the relationships in the GFS analytical framework has been added as a new feature and appears in Table 4.1.
- A discussion on the GFS classifications has been added as a new feature, and appears in Part D. Detail on unit classifications has been added as a new feature. The major groups of the ETF have been added as a new feature and appear in Table 4.2 along with separate discussion on each of the groups. The groupings of the SDC have been added as a new feature and appear in Table 4.3 along with discussion on each of the groups. The major groups of the FALC have been added as a new feature and appear in Table 4.4 along with discussion on each of the groups. The major groups of the NFAC have been added as a new feature and appear in Table 4.5 along with discussion on each of the groups. The major groups of the TC have been added as a new feature and appear in Table 4.6 along with discussion on each of the groups. The major groups of the COFOG-A have been added as a new feature and appear in Table 4.7 along with discussion on each of the groups.
- A discussion on the financial statements relating to the GFS analytical framework has been added as a new feature and appears in Part E. The statement of operations is discussed separately and is represented in tabular form at the broad level in Table 4.8. The statement of sources and uses of cash is discussed separately and is represented in tabular form at the broad level in Table 4.9. The balance sheet is discussed separately and is represented in tabular form at the broad level in Table 4.10. The statement of stocks and flows is discussed separately along with other statements in the GFS.

CHAPTER 5 - THE STATEMENT OF OPERATIONS

A2.8 This chapter discussion the statement of operations has been introduced in AGFS 2015 as a new feature. The main features of this chapter are as follows:

- This chapter has been divided into Parts A, B, C, etc., to assist users to navigate through the chapter.

- A description of the statement of operations and its place within the GFS analytical framework appears in Part A.
- A discussion on transactions in revenue and expense has been added as a new feature, and appears in Part B. Separate discussion on transactions in revenue and transactions in expense have been added as a new feature.
- A discussion on the key analytical aggregates has been added as a new feature, and appears in Part C. Included are separate discussions on the net acquisition of non-financial assets, the GFS net operating balance, and GFS net lending (+) / net borrowing (-).
- A discussion on the broad classification of the statement of operations has been added as a new feature, and appears in Part D. A tabular representation on the broad classification on the statement of operations has been added, and appears in Table 5.1.

CHAPTER 6 - REVENUE

A2.9 This chapter discussing revenue has been introduced in AGFS 2015 as a new feature. The main features of this chapter are as follows:

- This chapter has been divided into Parts A, B, C, etc., to assist users to navigate through the chapter.
- The definition of revenue (appearing in Chapter 2 of the former manual) has been updated, and appears in Part B. Revenue is defined in terms of taxation revenue (including tax attribution), sales of goods and services, property income, and transfer revenue and separate discussion on each of these elements appear as a new feature.
- A discussion on the time of recording revenue has been added as a new feature, and appears in Part C. Included are discussions on timing adjustments to revenue, under or over estimation of taxation revenue, under or over estimation of royalty revenue, and adjustment for the amendment of data errors relating to revenue, each of which have been added as a new feature.
- A discussion on the classification of revenue has been added as a new feature, and appears in Part D. This includes a tabular representation of the detailed classification of revenue (appearing in Table 6.1), and detailed discussion on each of the elements appearing in the classification, each of which have been added as a new feature.

CHAPTER 7 - EXPENSES

A2.10 This chapter discussing expenses has been introduced in AGFS 2015 as a new feature. The main features of this chapter are as follows:

- This chapter has been divided into Parts A, B, C, etc., to assist users to navigate through the chapter.
- The definition of expenses (appearing in Chapter 2 of the former manual) has been updated, and appears in Part A.
- A discussion on the different types of expenses have been added as a new feature, and appear in Part B. Also added as a new feature, is discussion on two types of transactions that are treated as decreases in expense rather than revenue in GFS.
- A discussion on the time of recording expenses has been added as a new feature, and appears in Part C. Included are discussions on timing adjustments to expenses in quarterly GFS, and a table outlining the ABS methodology for the application of timing adjustments has been added as a new feature in Table 7.1. Also added as a new feature is details of other types of expenses which may attract timing adjustments in GFS.
- A discussion on the classification of expenses has been added as a new feature, and appears in Part D. This includes a tabular representation of the detailed classification of expenses (appearing in Table 7.2), and detailed discussion on each of the elements appearing in the classification, each of which have been added as a new feature.

CHAPTER 8 - THE BALANCE SHEET

A2.11 This chapter discussing the balance sheet has been introduced in AGFS 2015 as a new feature. The main features of this chapter are as follows:

- This chapter has been divided into Parts A, B, C, etc., to assist users to navigate through the chapter.
- The definition of the balance sheet and the elements within it (appearing in Chapter 2 of the former manual) has been updated, and appears in Part A.

- The definition of assets (appearing in Chapter 2 of the former manual) has been updated, and appears in Part B. Added as a new feature is separate discussion on assets in terms of economic assets, financial assets, non-financial assets, non-financial produced assets (in terms of produced assets, inventories and valuables), non-financial non-produced assets (in terms of tangible and intangible assets).
- The definition of liabilities (appearing in Chapter 2 of the former manual) has been updated, and appears in Part C. Added as a new feature is discussion on the types of liabilities included on the balance sheet.
- The discussion on the valuation of assets and liabilities (appearing in Chapter 2 of the former manual) has been updated, and appears in Part D. Included is discussion on the Australian GFS valuation of financial assets and liabilities; the international valuation of financial assets and liabilities; the difference between the nominal value and the market value; estimating current market prices; values observed in markets; values obtained by accumulating and revaluing transactions; present value of future returns, costs of ownership transfer; and financial assets and liabilities in foreign currency; each of which appear as a new feature.
- The definition of GFS net worth (appearing in Chapter 2 of the former manual) has been updated, and appears in Part E. Included as a new feature is the formula for deriving net worth, and a discussion on the change in net worth.
- The classification of the balance sheet has been added as a new feature, and appears in Part F. This includes a tabular representation of the detailed classification of the balance sheet (appearing in Table 8.2), and detailed discussion on each of the elements appearing in the classification, each of which have been added as a new feature.

CHAPTER 9 - TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES

A2.12 This chapter discussing transactions in financial assets and liabilities has been introduced in AGFS 2015 as a new feature. The main features of this chapter are as follows:

- This chapter has been divided into Parts A, B, C, etc., to assist users to navigate through the chapter.
- The definition of transactions in financial assets and liabilities (and the counterparty relationship between them) have been added as a new feature and appear in Part B. Also included is discussion on the important types of transactions in financial assets and liabilities in GFS, each of which also appear as a new feature.
- A discussion on the valuation of transactions in financial assets and liabilities has been added as a new feature, and appear in Part C. Included as a new feature is separate discussion on service charges, fees and commissions on transactions in financial assets and liabilities; the valuation transactions in financial assets and liabilities in foreign currency; and the valuation of transactions in financial assets and liabilities in international statistics.
- A discussion on the time of recording of transactions in financial assets and liabilities has been added as a new feature, and appears in Part D. Included as a new feature is guidance on how to account for transactions in financial assets and liabilities if parties to a transaction perceive economic ownership to change on different dates, how to account for transactions in financial assets or liabilities which involve a non-financial component.
- A discussion on consolidation of flows for transactions in financial assets and liabilities has been added as a new feature and appears in Part E. Included are examples of consolidation of transactions in financial assets and liabilities in GFS.
- A discussion on the classification of transactions in financial assets and liabilities has been added as a new feature, and appears in Part F. This includes a tabular representation of the detailed classification of the transactions in financial assets and liabilities (appearing in Table 9.1), and detailed discussion on each of the elements appearing in the classification, each of which have been added as a new feature.

CHAPTER 10 - TRANSACTIONS IN NON-FINANCIAL ASSETS

A2.13 This chapter discussing transactions in non-financial assets has been introduced in AGFS 2015 as a new feature. The main features of this chapter are as follows:

- This chapter has been divided into Parts A, B, C, etc., to assist users to navigate through the chapter.
- The definition of transactions in non-financial assets has been added as a new feature and appears in Part B. Also included is discussion on the important types of transactions in non-financial assets in GFS, each of which also appear as a new feature.

- A discussion on the valuation of transactions in non-financial assets has been added as a new feature, and appears in Part C. Included as a new feature is separate discussion on costs of ownership transfer of non-financial assets; valuation of transactions in inventories; valuation of transactions in barter or in-kind transactions; valuation of transactions in own-account capital formation; valuation of transaction in non-financial assets purchased on a non-market basis; and depreciation on non-financial assets
- A discussion on the time of recording of transactions in non-financial assets has been added as a new feature, and appears in Part D. Included as a new feature is guidance on how to account for acquisitions of different types of non-financial assets.
- A discussion on the netting of transactions in non-financial assets has been added as a new feature and appears in Part E.
- A discussion on the classification of transactions in non-financial assets has been added as a new feature, and appears in Part F. This includes a tabular representation of the detailed classification of the transactions in non-financial assets (appearing in Table 10.1), and detailed discussion on each of the elements appearing in the classification, each of which have been added as a new feature.

CHAPTER 11 - OTHER ECONOMIC FLOWS

A2.14 This chapter discussing other economic flows has been introduced in AGFS 2015 as a new feature. The main features of this chapter are as follows:

- This chapter has been divided into Parts A, B, C, etc., to assist users to navigate through the chapter.
- The definition of other economic flows and the elements that comprise this (appearing in Chapter 2 of the former manual) has been updated, and appears in Part A.
- A discussion on holding gains and losses has been added as a new feature, and appears in Part B. Included in the discussion is the effect of net worth of holding gains and losses, and unrealised and realised holding gains.
- A discussion on other changes in the volume of assets and liabilities has been added as a new feature, and appears in Part C. Included in the discussion is the entrance or exit of assets and liabilities on the GFS balance sheet (including through the write-off or assumption of debt); the recognition of naturally occurring assets (recorded in Box 11.1); the effects of exceptional, unanticipated external events on assets and corresponding liabilities (such as catastrophic losses, or seizure of assets); changes in the classification of assets and liabilities; and changes in sector classification and structure of assets and liabilities.
- A discussion on the valuation of other economic flows has been added as a new feature, and appears in Part D.
- A discussion on the time of recording of other economic flows has been added as a new feature, and appears in Part E. This discussion includes separate details on the time of recording holding gains / losses, and the time of recording of other volume changes and guidance on the time of recording other volume changes on other items (which appears in Table 11.1).
- A discussion on the change in net worth has been added as a new feature and appears in Part F. Included is a discussion on the types of other economic flow events that add to net worth.
- A discussion on the classification of other economic flows has been added as a new feature, and appears in Part G. This includes a tabular representation of the both the broad classification of other economic flows (appearing in Table 11.2), and the detailed classification of other economic flows (appearing in Table 11.3). Also included is a discussion on each of the elements appearing in the detailed classification, each of which have been added as a new feature.

CHAPTER 12 - THE STATEMENT OF SOURCES AND USES OF CASH

A2.15 This chapter discussing the statement of sources and uses of cash has been introduced in AGFS 2015 as a new feature. The main features of this chapter are as follows:

- This chapter has been divided into Parts A, B, C, etc., to assist users to navigate through the chapter.
- The definition of the statement of sources and uses of cash (appearing in Chapter 2 of the former manual) has been updated, and appears in Part A.
- A discussion on the main purpose of the statement of sources and uses of cash has been added as a new feature, and appears in Part B. Included is a broad outline of the elements that comprise the GFS statement of sources and uses of cash, included in Table 12.1

- A discussion on the classification of the statement of sources and uses of cash has been added as a new feature, and appears in Part C. This includes a tabular representation of the both the broad classification of the statement of sources and uses of cash (appearing in Table 12.2), and the detailed classification of the statement of sources and uses of cash (appearing in Table 12.3). Also included is a discussion on each of the elements appearing in the detailed classification, each of which have been added as a new feature.

CHAPTER 13 - TREATMENT OF SELECTED ITEMS

A2.16 This chapter discussing the treatment of selected items has been introduced in AGFS 2015. The main features of this chapter are as follows:

This chapter has been divided into Parts A, B, C, etc., to assist users to navigate through the chapter.

- Part B - The treatment of debt in Australian GFS has been added as a new feature. It contains discussion on the valuation of debt, the definition of debt instruments (including a comparison table of financial instruments in the IMF GFSM 2014 and AGFS 2015 appearing in Table 13.1); the presentation of debt data in Australian GFS (includes a presentation of gross public sector debt by type of debt instrument and level of government subsector (appearing in Diagram 13.1), a presentation of gross public sector debt by type of debt instrument (appearing in Table 13.2), and a presentation of gross public sector debt by level of government subsector (appearing in Table 13.3)). Also discussed in this chapter are other aspects of debt in GFS.
- Part C - The treatment of contingent liabilities has been added as a new feature. It contains discussion on explicit contingent liabilities and implicit contingent liabilities (including a representation of actual and contingent liabilities in macroeconomic statistics appearing in Diagram 13.4); publicly guaranteed debt; other one-off guarantees; and explicit contingent liabilities not elsewhere classified.
- Part D - The treatment of insurance and standardised guarantees has been added as a new feature. It contains discussion on life insurance; non-life insurance; standardised guarantees and includes a representation of flows and stock positions recorded by public sector units acting as (i) non-life insurers or guarantors; or (ii) non-life insurance policy holders and holders of standardised guarantees appearing in Box 13.1.
- Part E - The treatment of public-private partnerships (PPPs) has been added as a new feature. It contains discussion on the definition of a PPP, and determining economic ownership of PPP related assets, including a representation of guidance to assist to determine the economic ownership of various PPP-related assets in Box 13.2.
- Part F - The treatment of major improvements to assets versus maintenance and repairs has been added as a new feature. It contains discussion on the definitions of major improvements and repairs, and lists the differences between these for different scenarios.
- Part G - The treatment of research and development has been added as a new feature. It contains discussion on the types of research and development that is recognised in GFS.
- Part H - The treatment of contracts, leases and licences in GFS has been added as a new feature. It contains discussion on contracts, leases (including operating leases, financial leases, and resource leases) and includes guidance to assist to determine if a contract may be a financial lease in Box 13.3. Further includes is discussion on licences, including permits to undertake a specific activity, and guidance to assist in determining whether a licence represents the sale of an asset or rent from natural resources. This includes as set of criteria used to determine whether a license represents an asset sale or rent from natural resources in Box 13.4.
- Part I - The treatment of superannuation in GFS has been added as a new feature. It contains discussion on autonomous and non-autonomous superannuation funds; defined contribution superannuation schemes; defined benefit superannuation schemes; funded and unfunded superannuation schemes; and nominal interest on unfunded and partly funded superannuation
- Part J - The difference between government taxes and government fees for services has been added as a new feature. It contains discussion on the definition of taxes and fees and includes guidance to determine whether a payment is a tax or a fees for service in GFS in Box 13.5.
- Part K - The treatment of expenditure versus expense in GFS has been added as a new feature. It contains discussion on the definition of expenditure and expense in the context of GFS, and includes a diagram representing the difference between expenditure and expenses in GFS in Diagram 13.5.
- Part L - The treatment of tax refunds and tax credits in GFS has been added as a new feature. It contains discussion on the difference between a tax refund and a tax credit in the context of GFS, and includes guidance on the treatment of tax refunds and tax credits in GFS in Box 13.6.

- Part M - The treatment of taxes that share characteristics with *taxes on property* (ETF 111, TC 3) but should be classified elsewhere has been added as a new feature. It contains discussion on the characteristics of taxes, and includes guidance on identifying taxes that share characteristics with *taxes on property* (ETF 1111, TC 3) but should be classified elsewhere in Box 13.7.
- Part N - The treatment of rent in GFS added as a new feature. It contains discussion on the definition of rent in the context of GFS and the difference between rent and rentals.
- Part O - The treatment of government payments to NPIs and public corporations has been added as a new feature. It contains discussion on the evidence of an exchange of value; the application of the market / non-market test to recipients of government payments; economically significant prices; cost recovery; and the importance of the assessment of the nature of all government payments.
- Part P - The boundary between use of goods and services and transfers has been added as a new feature. It contains discussion on the differences between goods and services and transfers in the context of GFS.
- Part Q - The boundary between use of goods and services and employee expenses has been added as a new feature. It contains discussion on the differences between goods and services and employee expenses in the context of GFS.
- Part R - The boundary between use of goods and services and the acquisition of non-financial assets has been added as a new feature. It contains discussion on the differences between goods and services and the acquisition of non-financial assets in the context of GFS, and also discusses other boundary cases related to use of goods and services in GFS.
- Part S - Recording the production of non-financial produced assets over two or more accounting periods has been added as a new feature. It contains discussion on the production of non-financial produced assets and provides guidance on accounting for non-financial produced over two of more accounting periods.

CHAPTER 14 - DATA SOURCES AND METHODS OF COMPILATION

A2.17 This chapter discussing data sources and methods of compilation and uses of cash has been introduced in AGFS 2015 as a new feature. The main features of this chapter are as follows:

- This chapter has been divided into Parts A, B, C, etc., to assist users to navigate through the chapter.
- The discussion on obtaining GFS data (appearing in Chapter 3 of the former manual) has been updated to reflect current practices and appears in Part B.
- The discussion on the collection cycle (appearing in Chapter 3 of the former manual) has been updated to reflect current practices and appears in Part C.
- The discussion on data sources (appearing in Chapter 3 of the former manual) has been updated to reflect current practices and appears in Part D.
- The discussion on data collection methods (appearing in Chapter 3 of the former manual) has been updated to reflect current practices and appears in Part E.
- The discussion on the methods of compilation (appearing in Chapter 3 of the former manual) has been updated to reflect current practices and appears in Part F. Diagram 14.1 shows an updated schematic overview of GFS compilation process.

CHAPTER 15 - DATA OUTPUT

A2.18 This chapter discussing data output has been introduced in AGFS 2015 as a new feature. The main features of this chapter are as follows:

- This chapter has been divided into Parts A, B, C, etc., to assist users to navigate through the chapter.
- The discussion on types of output (appearing in Chapter 5 of the former manual) has been updated to reflect current practices and appears in Part B.
- The discussion on the main statements (appearing in Chapter 5 of the former manual) has been updated to reflect current practices and appears in Part C.
- The discussion on the availability of data (appearing in Chapter 5 of the former manual) has been updated to reflect current practices and appears in Part D.
- The discussion on the ABS GFS publications (appearing in Chapter 5 of the former manual) has been updated to reflect current practices and appears in Part E.
- The discussion on GFS output data requests (appearing in Chapter 5 of the former manual) has been updated to reflect current practices and appears in Part F.

- The discussion on international statistics (appearing in Chapter 5 of the former manual) has been updated to reflect current practices and appears in Part H.

CHAPTER 16 - DATA QUALITY

A2.19 This chapter discussing data quality has been introduced in AGFS 2015 as a new feature. The main features of this chapter are as follows:

- This chapter has been divided into Parts A, B, C, etc., to assist users to navigate through the chapter.
- A discussion on the ABS Data Quality Framework (DQF) has been introduced and appears in Part B.

CHAPTER 17 - RELATIONSHIPS TO OTHER STATISTICAL FRAMEWORKS

A2.20 This chapter discussing the statement of sources and uses of cash has been introduced in AGFS 2015 as a new feature. The main features of this chapter are as follows:

- This chapter has been divided into Parts A, B, C, etc., to assist users to navigate through the chapter.
- The discussion on the AGFS 2015 relationship to the IMF GFSM 2014 (appearing in Chapter 7 of the former manual) has been updated to reflect current practices and appears in Part B.
- The discussion on the AGFS 2015 relationship to the Australian system of national accounts (ASNA) (appearing in Chapter 7 of the former manual) has been updated to reflect current practices and appears in Part C.
- The discussion on the AGFS 2015 relationship to the AASB 1049: Whole of Government and General Government Sector Financial Reporting (appearing in Chapter 7 of the former manual) has been updated to reflect current practices and appears in Part D.

APPENDIX 1 - PART A - GFS CLASSIFICATIONS

A2.21 The appendix recording the GFS classifications (appearing as Appendix 3 in the former manual) has been updated to reflect current practices.

APPENDIX 1 - PART B - SUPPORTING INFORMATION

A2.22 The appendix recording supporting information has been added as a new feature. It contains discussion on the supporting information required for the compilation of GFS including the memorandum items to the GFS balance sheet, contingent liabilities, debt maturity, salary sacrifice expenses, and own-account capital formation.

APPENDIX 1 - PART C - COFOG-A

A2.23 The appendix recording the COFOG-A (appearing as Appendix 3 in the former manual) has been updated to reflect current practices.

APPENDIX 3 - DEPARTURES FROM THE INTERNATIONAL GFS STANDARDS

PART A - INTRODUCTION

A3.1 The AGFS15 contains a number of departures from the international GFS standards listed in the IMF GFSM 2014. The primary reason for these departures is to reflect Australia's economic situation and maintain coherence across the macroeconomic accounts produced by the ABS. There are also variations in the way that the ABS GFS are presented as output. Nevertheless, the GFS system can be used by the ABS to provide the IMF with statistics that are in full accordance with the international GFS standards contained in the IMF GFSM 2014.

PART B - DEPARTURES FROM IMF GFSM 2014 IN THE AGFS 2015

A3.2 Table A3.1 summarises the departures from the IMF GFSM 2014 in the AGFS15:

Table A3.1 - Departures from IMF GFSM 2014 in the AGFS 2015

Departure	AGFS15	IMF GFSM 2014
The valuation of debt	The ABS records the value of debt at current market value in the AGFS15.	The IMF values debt at the nominal value in the IMF GFSM 2014.
Concessional debt in the core financial statements	The ABS includes the value of concessional debt in the core GFS financial statements in the AGFS15, but does not attempt to impute the concessional element.	The IMF records concessional debt as a memorandum item in the IMF GFSM 2014.
Presentation of gross public sector debt by instrument and by level of government	The ABS has adopted the presentation of gross public sector debt by instrument and by level of government as per the debt matrix in the IMF staff discussion paper: *What lies beneath?* Robert Dipplesman, Claudia Dziobek, and Carlos A. Gutierrez Mangas, International Monetary Fund, 27 July 2012.	The IMF omits the presentation of gross public sector debt by instrument and by level of government.
Derivatives as financial instruments	The ABS recognises derivatives as financial instruments in the AGFS15.	The IMF does not recognise derivatives as financial instruments in the IMF GFSM 2014.
Repurchase agreements and gold swaps	The ABS records repurchase agreements and gold swaps as transactions in financial derivatives in the AGFS15.	The IMF treats repurchase agreements and gold swaps as loans in the IMF GFSM 2014.
Debt assumption	The ABS records the assumption of debt by a public sector unit as transactions in accounts receivable / accounts payable in the AGFS15.	The IMF records the assumption of debt by a public sector unit as reclassifications of financial assets / liabilities though other changes in the volume of assets and liabilities.
Changes in the characteristics of financial instruments due to arrears	The ABS records changes in the characteristics of financial instruments due to arrears as transactions in debt securities in the AGFS15.	The IMF records changes in the characteristics of financial instruments due to arrears as reclassifications of financial assets / liabilities through other changes in the volume of assets and liabilities in the IMF GFSM 2014.
Amounts remaining due for payment under a derivative after the derivative matures	The ABS records amounts that remain due for payment under a derivative after the derivative matures as transactions in financial derivatives in the AGFS15.	The IMF records amounts that remain due for payment under a derivative after the derivative matures as a reclassification to other accounts receivable or accounts payable through other changes in the volume of assets in the IMF GFSM 2014.
Bonds that are convertible into preference shares when the option is exercised	The ABS records bonds that are convertible into preference shares as transactions in debt securities when the option is exercised in the AGFS15.	The IMF records bonds that are convertible into preference shares as equity and investment fund shares through other changes in the volume of assets in the IMF GFSM 2014.

The sectoral classification of Central Borrowing Authorities (CBAs)	The ABS classifies CBAs as separate institutional units classified to the public financial corporations sector in the AGFS15.	The IMF classifies CBAs as resident artificial subsidiaries of their parent unit in the IMF GFSM 2014.
Tax attribution	The ABS includes final discretion over the use of funds as a criterion for the attribution of tax in the AGFS15.	The IMF omits the final discretion over the use of funds as a criterion for the attribution of tax in the IMF GFSM 2014.
Salary sacrifice	The ABS records salary sacrifice expenses as supplementary information in the AGFS15.	The IMF does not separately identify salary sacrifice expenses in the IMF GFSM 2014.

GLOSSARY

ACCRUAL BASIS OF RECORDING

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.

ARREARS

Amounts both unpaid and past the due date for payment.

ASSETS

Instruments or entities over which ownership rights are enforced by institutional units and from which economic benefits may be derived by the assets' owner by holding them, or using them, over a period of time.

AUXILIARY FINANCIAL SERVICES

Services that are closely related to, and designed to facilitate, financial intermediation but are not financial intermediation.

BALANCE SHEET

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.

BALANCING ITEMS

Economic constructs obtained by subtracting one aggregate from a second aggregate.

BILLS

Securities (usually short term) that give holders the unconditional rights to receive stated fixed sums on a specified date.

BONDS AND DEBENTURES

Securities that give holders the unconditional rights to fixed payments or contractually determined variable payments on a specified date or dates.

BUILDINGS OTHER THAN DWELLINGS

Whole buildings or parts of buildings not designated as dwellings. Fixtures, facilities, and equipment that are integral parts of the structures are included as buildings other than dwellings.

CAPITAL TAXES

Taxes imposed at irregular and very infrequent intervals on the value of assets or net worth owned by institutional units, or on the values of assets transferred between institutional units.

CAPITAL TRANSFERS

Transactions in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another, in which cash is transferred to enable the recipient to acquire another asset or in which the funds realised by the disposal of another asset are transferred.

CAPITALISED INTEREST

Interest payable that is debited to an asset account and not expensed.

CASH

Notes and coin held, deposits at call with a bank or other financial institution, and highly liquid investments which are readily convertible to cash on hand at the investor's option.

CASH BASIS OF RECORDING

Basis of recording in which transactions are recorded only when cash receipts or payments occur and in which only cash flows are recorded.

CATASTROPHIC LOSS

The partial or complete destruction of a significantly large number of assets (within any of the asset categories) resulting from a large-scale, discrete, and recognisable event.

CENTRAL BANK

The central bank is the public financial corporation which is a monetary authority; that is, which issues bank notes and coins and holds the international reserves of the country. In Australia, this is the Reserve Bank of Australia.

CENTRAL BORROWING AUTHORITY

A public financial corporation established by a state or territory government primarily to provide finance for public corporations and quasi-corporations and other units owned or controlled by the government, and to arrange investment of their surplus funds.

CHANGE IN INVENTORIES

The change in the value of inventories over the accounting period.

CHANGE IN NET WORTH

The closing value of net worth minus the opening value of net worth.

CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT - AUSTRALIA (COFOG-A)

The GFS classification used to classify transactions according to their government purpose (e.g. health, education, defence).

COMPENSATION OF EMPLOYEES

The remuneration, in cash or in kind, payable by an enterprise to an employee in return for work done during the accounting period.

CONCESSIONAL LOAN

While there is no precise definition of concessional loans in macroeconomic statistics, it is generally accepted that they are loans that occur when public sector units lend to other units and the contractual interest rate is intentionally set below the market interest rate that would otherwise apply.

CONSOLIDATION

The process of elimination of all within-sector asset-liability positions, and all transactions between two units of the same sector. Consolidation can be applied to the statistics of any group of units of analytical interest.

CONSUMPTION OF FIXED CAPITAL

The decline (during the course of an accounting period) in the value of fixed assets owned and used as a result of physical deterioration, normal obsolescence, or normal accidental damage. It is valued in the average prices of the period. To calculate consumption of fixed assets, the fixed assets purchased in the past and still in use have to be revalued at the average prices of the current period and assumptions have to be made regarding the remaining service lives of each asset and the rate at which their efficiency is expected to diminish.

CONTINGENT LIABILITIES

Obligations that do not arise unless a particular, discrete event(s) occurs in the future.

CONTROL OF A CORPORATION

The ability to determine the general corporate policy of the corporation.

CORPORATION

Entities that are capable of generating a profit or other financial gain for their owners, which are recognised by law as separate legal entities from their owners, and are set up for purposes of engaging in market production.

COVERAGE

The extent to which the defined scope of a statistical system is actually achieved in practice.

CREDIT

Accounting entry representing revenue, a decrease in an asset or an increase in a liability.

CURRENT MARKET VALUE

The current exchange value - that is, the value at which goods, services, labour, or assets are exchanged or else could be exchanged for cash (currency or transferable deposits).

CURRENT TRANSFERS

Amounts payable or receivable for current purposes for which no economic benefits are receivable or payable in return.

DEBIT

Accounting entry representing expense, an increase in an asset or a decrease in a liability.

DEBT ASSUMPTION

An agreement between a creditor, a former debtor, and a new debtor, under which the new debtor assumes the former debtor's outstanding liability to the creditor, and is liable for repayment of debt.

DEBT INSTRUMENTS

Financial instruments that typically are created when one unit provides funds or other resources (e.g. goods in the case of trade credit) to a second unit and the second unit agrees to provide a return in the future. Debt instruments consist of all liabilities other than equity including contributed capital and investment fund shares or units.

DEPRECIATION

The accounting process of systematically allocating the cost less estimated residual value of an asset over its expected useful life. Depreciation is used in Australian GFS instead of consumption of fixed capital. Depreciation may deviate considerably from consumption of fixed capital because under general accounting principles, depreciation is calculated using a mixture of valuations (including the current replacement cost of non-financial produced assets), whereas consumption of fixed capital is calculated using the current market value of assets only. The use of depreciation in the Australian GFS instead of consumption of fixed capital has no impact on GFS net lending (+) / net borrowing (-).

DERIVATIVES

See 'Financial derivatives'.

DIVIDENDS

The distributed earnings allocated to public sector units (as the owners of equity), for placing funds at the disposal of corporations.

DWELLINGS

Buildings, or designated parts of buildings, that are used entirely or primarily as residences, including any associated structures such as garages, and all permanent fixtures customarily installed in residences.

ECONOMIC ASSETS

Resources over which ownership rights are enforced, and from which economic benefits may flow to the owners.

ECONOMIC FLOW

See 'Flow'.

ECONOMIC STOCKS

See 'Stocks'.

ECONOMIC TERRITORY

The geographic territory administered by a government within which persons, goods and capital circulate freely.

ECONOMIC TYPE FRAMEWORK (ETF)

The Australian GFS classification used to classify economic flows and stocks according to their economic nature.

ECONOMICALLY SIGNIFICANT PRICES

Prices that have a significant influence on the amount producers are willing to supply or purchasers wish to buy.

ECONOMY

A set of resident institutional units.

EQUITY ASSETS

Financial claims on other entities entitling the holder to a share of the income of the entities and a right to a share of the residual assets of the entities should they be wound up.

EXCHANGES

Transactions in which one unit provides goods, services, assets or labour to another unit and receives something in return of the same value.

EXPENDITURE

The sum of expenses and the net investment of non-financial assets.

EXPENSES

A decrease in net worth resulting from a transaction.

EXPLICIT CONTINGENT LIABILITIES

Legal or contractual financial arrangements that give rise to conditional requirements to make payments of economic value.

FACE VALUE

The undiscounted amount of principal to be repaid at (or before) maturity.

FINANCE LEASE

A contract under which the lessor, as legal owner of an asset, conveys substantially all risks and rewards of ownership of the asset to the lessee.

FINANCIAL ASSET

Financial assets are assets that are in the form of financial claims on other economic units. They are the counterparts of liabilities of the units on which the claims are held (with the exception of monetary gold in the form of gold bullion held as a reserve asset).

FINANCIAL DERIVATIVES

Financial instruments that are linked to a specific financial instrument or indicator or commodity, and through which specific financial risks can be traded in financial markets in their own right.

FINANCIAL INTERMEDIATION

A productive activity in which an institutional unit incurs liabilities on its own account for the purpose of acquiring financial assets by engaging in financial transactions on the market.

FINANCIAL INTERMEDIATION SERVICES INDIRECTLY MEASURED (FISIM)

FISIM measures the service implicitly provided by financial intermediaries, such as banks, on deposit and loan facilities. It is measured as the difference between the interest rates on loans and deposits and a pure or reference rate of interest, multiplied by the level of loans and deposits, respectively.

FIXED ASSETS

Produced assets that are used repeatedly, or continuously, in processes of production for more than one year.

FLOWS

Flows are momentary expressions of economic actions engaged in by units and other events affecting the economic status of units that occur within an accounting period.

GENERAL GOVERNMENT SECTOR

Institutional sector comprising all government units and non-profit institutions controlled by government.

GOVERNMENT FINAL CONSUMPTION EXPENDITURE

A 2008 SNA concept that refers to government use of goods and services for the satisfaction of individual or collective human needs or wants.

GOVERNMENT UNITS

Unique kinds of legal entities established by political processes which have legislative, judicial or executive authority over other institutional units within a given area and which: (i) provide goods and services to the community and/or individuals free of charge or at prices that are not economically significant; and (ii) redistribute income and wealth by means of taxes and other compulsory transfers.

GRANTS

All transfers other than subsidies.

GROSS DEBT

The stock position in financial claims that require payment(s) of interest and / or principal by the debtor to the creditor at a date (or dates) in the future. Gross debt consists of all liabilities that are debt instruments.

GROSS FIXED CAPITAL FORMATION

The value of acquisitions of new and existing produced assets, other than inventories, less the value of disposals of new or existing produced assets, other than inventories.

GROSS OPERATING BALANCE

In the IMF GFS system, total revenue less all expenses except consumption of fixed capital.

HOLDING GAIN OR LOSS

A change in the monetary value of an asset or liability resulting from changes in the level and structure of prices, excluding qualitative or quantitative changes in the asset or liability.

IMPLICIT CONTINGENT LIABILITIES

Implicit contingent liabilities do not arise from a legal or contractual source, but are recognised after a condition or event is realised.

INSTITUTIONAL SECTORS

The SNA groupings of all resident institutional units according to their institutional characteristics and functions. There are five institutional sectors: the non-financial corporations sector, the financial corporations sector, the general government sector, the households sector and the non-profit institutions serving households sector.

INSTITUTIONAL UNIT

An economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities.

INTANGIBLE NON-FINANCIAL ASSETS

Patents, copyrights, mineral concessions, and similar non-physical non-financial assets.

INTEREST

Form of property income earned by making financial assets available to other units which is equal to the amount the debtor becomes liable to pay to the creditor over a given period of time without reducing the amount of the principal outstanding.

INVENTORIES

Stocks of goods held that are intended for sale, use in production, or other use at a later date.

JURISDICTION

The public sector units over which the Commonwealth Government or an individual state or territory government has direct control or, in the case of local government authorities, the government which administers the legislation under which the authority was established.

LAND

The ground, including the soil covering and any associated surface waters, over which ownership rights are enforced and from which economic benefits can be derived by their owners by holding or using them.

LAND IMPROVEMENTS

Land improvements are the result of actions that lead to major improvements in the quantity, quality, or productivity of land, or prevent its deterioration.

LEGAL OWNER

The legal owner of resources such as goods and services, natural resources, financial assets, and liabilities is the institutional unit entitled by law and sustainable under the law to claim the benefits associated with the resource.

LEVEL OF GOVERNMENT (LOG)

The classification comprising the three tiers of government (national, state and territory, local) for which Australia's GFS are compiled.

LIABILITIES

Obligations to provide economic value to another economic unit, including the issued shares and other contributed capital of corporations and the net worth of quasi-corporations.

LOCAL LEVEL OF GOVERNMENT

The level of government of public sector units that have a local role or function i.e. the political authority underlying their functions is limited to a local government area or other region within a state or territory or the functions involve policies that are primarily of concern at a local level.

MARKET OUTPUT

Output that is sold at economically significant prices.

MARKET PRODUCER

An institutional unit that provides all or most of its output to others at prices that are economically significant.

MONETARY GOLD

Gold owned by a country's monetary authorities which is held as a financial asset and is a component of the country's foreign reserves.

MULTI-JURISDICTIONAL UNIT

A unit for which jurisdiction is shared between two or more governments, or its classification to jurisdiction is otherwise unclear. The main type of units currently falling in this sector are public universities.

NATIONAL LEVEL OF GOVERNMENT

The level of government of public sector units that have a national role or function, i.e. the political authority underlying their functions extends over the entire territory of Australia or the functions involve policies that are primarily of concern at a national level (i.e. the consolidated total of the Commonwealth level of government and all multi-jurisdictional units).

NET ACQUISITION OF NON-FINANCIAL ASSETS

Gross fixed capital formation less depreciation plus change in inventories plus other transactions in non-financial assets.

NET ASSETS

Total assets less total liabilities, shareholders' funds and other contributed capital.

NET DEBT

Net debt is equal to gross debt minus the stock position in financial assets corresponding to debt instruments.

NET FINANCIAL WORTH

Net financial worth is equal to financial assets minus liabilities. It is a broader measure than net debt in that it incorporates provisions made (such as superannuation, but excluding depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

NET LENDING / BORROWING

The financing requirement of government, calculated as the GFS net operating balance less the net acquisition of non-financial assets. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

NET OPERATING BALANCE

This is calculated as GFS revenue minus GFS expenses. It is equivalent to the change in net worth arising from transactions.

NET WORTH

A key economic measure of wealth which is calculated as the total value of assets minus the total value of liabilities.

NETTING

The process of deducting one set of stocks or flows from another and recording only the difference.

NON-FINANCIAL ASSETS

Non-financial assets are all economic assets other than financial assets. Non-financial assets are stores of value which provide benefits to owners either through their use in the production of goods and services, or in the form of property income. Non-financial assets have no counterpart liability—that is, the owner of the non-financial asset does not have a claim on another institutional unit. Non-financial assets come into existence as outputs from a production process, or in ways other than processes of production, such as natural occurrences.

NON-FINANCIAL PUBLIC SECTOR

The Non-financial Public Sector is a subsector formed by the consolidation of the General Government and Public Non-financial Corporations sectors.

NON-MARKET OUTPUT

Goods and services that are supplied free or at prices that are not economically significant to other institutional units or the community as a whole.

NON-MARKET PRODUCER

An institutional unit who provides all or most of its output to others for free or at prices that are not economically significant.

NON-MONETARY TRANSACTIONS

Transactions that are not initially stated in units of currency.

NON-PRODUCED ASSETS

Assets used for production that have not themselves been produced.

NON-PROFIT INSTITUTION

A legal or social entity that is created for the purpose of producing or distributing goods and services but is not permitted to be a source of income, profit or financial gain for the units that establish, control or finance it.

OFF-MARKET SWAP

An off -market swap is a swap contract that has a non-zero value at inception as a result of having reference rates priced differently from current market values—that is, “off-the-market”.

ONE-OFF GUARANTEES

One-off guarantees comprise those types of guarantees where the debt instrument is so particular that it is not possible to calculate the degree of risk associated with the debt with any degree of accuracy.

OPERATING LEASE

A contract for the renting out of produced assets under arrangements that provide the use of the asset to the lessee, but does not involve the transfer of the bulk of risks and rewards of ownership to the lessee.

ORIGINAL MATURITY

Original maturity is the period from the issue date until the final contractually scheduled payment date.

OTHER CHANGES IN THE VOLUME OF ASSETS

Changes in the value of assets, liabilities and net worth arising from events other than transactions and revaluations.

OTHER ECONOMIC FLOWS

Changes in the volume or value of an asset or liability that do not result from transactions (i.e. revaluations and other changes in the volume of assets).

OTHER SUBSIDIES ON PRODUCTION

Subsidies that producer units receive as a consequence of engaging in production, but are not related to specific products.

OUTPUT

Goods and services that are produced within an establishment and become available for use outside that establishment.

OWN-ACCOUNT CAPITAL FORMATION

When public sector units produce goods or services for their own use rather than purchasing them from other units. This often involves the construction of non-financial produced assets (such as buildings or computer software) using the unit's own materials, labour and expertise.

PRODUCED ASSETS

Non-financial assets that have come into existence as outputs of production processes.

PRODUCTION

Activity carried out under the control and responsibility of an institutional unit that uses inputs of labour, capital, and goods and services to produce outputs of goods and services.

PROPERTY EXPENSES

Current expenses for the use of financial assets or tangible non-produced assets such as land and sub-soil assets (e.g. interest, dividends, land rent).

PROPERTY INCOME

Current income accrued from the ownership of financial assets or tangible non-produced assets such as land and sub-soil assets (e.g. interest, dividends, land rent).

PUBLIC CORPORATIONS

Resident government controlled corporations and quasi-corporations that are created for the purpose of producing goods and services for the market and may be a source of profit or other financial gain to their owner(s).

PUBLIC FINANCIAL CORPORATIONS

Resident government controlled corporations and quasi-corporations mainly engaged in financial intermediation or provision of auxiliary financial services.

PUBLIC NON-FINANCIAL CORPORATIONS

Resident government controlled corporations and quasi-corporations mainly engaged in the production of market goods and/or non-financial services.

PUBLIC SECTOR

The combination of the general government sector, the public non-financial corporations and the public financial corporations.

QUASI-CORPORATION

An unincorporated enterprise that functions as if it were a corporation, has the same relationship with its owner as a corporation, and keeps a separate set of accounts.

QUASI-FISCAL ACTIVITIES

Functions of governments performed by units outside the general government sector.

RENT

A form of property income and expense payable to the owners of a natural resource (the lessor or landlord) for putting the natural resource at the disposal of another institutional unit (lessee or tenant) for use of the natural resource in production.

REQUITED TRANSACTIONS

Transactions in which each transactor receives something of economic value.

RESIDENT UNIT

A unit with a centre of economic interest in the economic territory of the country.

RESOURCE LEASE

An agreement whereby the legal owner of a natural resource (that macroeconomic statistics treat as having an infinite life) makes it available to a lessee in return for a regular payment recorded as property income and described as rent.

REVALUATIONS

Changes in the current market value of an asset or liability resulting from changes in the level and structure of prices, assuming that the asset or liability has not changed qualitatively or quantitatively. These are also known as holding gains and losses.

REVENUE(S)

Transactions that increase net worth.

SCOPE

The group of statistical units that defines the intended boundary of a statistical system.

SEIGNIORAGE

The profit earned by a government on the issue of coins and notes (i.e. the difference between the face value of coins and notes and the costs of their production).

SPECIAL DRAWING RIGHTS (SDRS)

International reserve assets created by the IMF and allocated to its members to supplement existing reserve assets.

STANDARDISED GUARANTEES

Those kinds of guarantees that are issued in large numbers, usually for fairly small amounts, along identical lines.

STATE / TERRITORY LEVEL OF GOVERNMENT

The level of government of public sector units that have a state or territory role or function, i.e. the political authority underlying their functions is limited to a state or territory or the functions involve policies that are primarily of concern at a state or territory level.

STATEMENT OF OPERATIONS

The GFS financial statement that records details of transactions in GFS revenues, GFS expenses and the net acquisition of non-financial assets for an accounting period. GFS revenues are broadly defined as transactions that increase net worth, and GFS expenses as transactions that decrease net worth. Net acquisition of non-financial assets equals gross fixed capital formation, less depreciation, plus changes in inventories plus other transactions in non-financial assets. Two key GFS analytical balances in the operating statement are GFS Net Operating Balance (NOB) and GFS Net Lending(+) / Borrowing(-).

STATEMENT OF SOURCES AND USES OF CASH

The GFS financial statement that records the total amount of cash generated through the operating activities of the government during the current period, and includes transactions in non-financial assets settled in cash and transactions involving financial assets and liabilities settled in cash. The statement of sources and uses of cash essentially records when cash is received by the government and when cash is paid by the government during an accounting period.

STATEMENT OF STOCKS AND FLOWS

The GFS financial statement that records: (i) the opening balance sheet values of assets and liabilities; (ii) the changes to the assets and liabilities arising from transactions, revaluations and other volume changes; and (iii) the resultant closing balance sheet values of assets and liabilities.

STATISTICAL UNITS

Units about which statistics are tabulated, compiled or published.

STATUTORY AUTHORITY

An entity established by the Australian Constitution or by an Act of Parliament of the Commonwealth or one of the states or territories.

STOCKS

An institutional unit's assets, liabilities, shareholders' funds and other contributed capital at a point in time.

SUBSIDIES

Current transfers that government units make to enterprises either on the basis of the levels of their production activities or on the basis of the quantities or values of the goods or services that they produce, sell or import.

SUBSIDIES ON PRODUCTS

A subsidy payable to producer units per unit of good or service.

SURPLUS / DEFICIT

Analytical balance in the GFS statement of sources and uses of cash that is derived as net cash flows from operating activities plus net cash from investments in non-financial assets.

TAX CREDIT

An amount subtracted directly from the tax liability due by beneficiary households or corporations after the liability has been computed.

TAXES

Compulsory, unrequited transfers to the general government sector.

TRANSACTIONS

Interactions between two institutional units by mutual agreement or actions within a unit that it is analytically useful to treat as transactions.

TRANSFERS

Transactions in which one unit provides goods, services, assets or labour to another unit and receives nothing in return.

USE OF GOODS AND SERVICES

The total value of goods and services used for the production of market and non-market goods and services.

VALUABLES

Produced assets that are not used primarily for purposes of production or consumption, but are held as stores of value over time.

WEAPONS SYSTEMS

Weapons systems include vehicles and other equipment such as warships, submarines, military aircraft, tanks, missile carriers and launchers, etc.

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To be completed when manual is finalised.

FOR MORE INFORMATION . . .

www.abs.gov.au the ABS website is the best place for data from our publications and information about the ABS.

INFORMATION AND REFERRAL SERVICE

Our consultants can help you access the full range of information published by the ABS that is available free of charge from our website. Information tailored to your needs can also be requested as a 'user pays' service. Specialists are on hand to help you with analytical or methodological advice.

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