INTRODUCTION

Policy items, indicated by shaded bold print, form the Minimum Reporting Requirements (MRRs) referred to in sections 42(1) and 43(1) of the Financial and Performance Management Standard 2009 (FPMS). These are mandatory for departments. Statutory bodies must also have regard to these requirements and apply them where they are considered relevant in the circumstances.

Application Guidance, indicated by plain text under the “Application Guidance” sub-headings, provides support on interpreting and applying the mandatory policy items and other matters.

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4B.1 NON-CURRENT PHYSICAL ASSETS

REFERENCES

- AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*
- AASB 13 *Fair Value Measurement*
- AASB 116 *Property, Plant and Equipment*
- AASB 1051 *Land Under Roads*
- Non-Current Asset Policies for the Queensland Public Sector (NCAPs)

POLICY

- NCAP 1, Appendix 1.1 Non-Current Asset Classes and Thresholds specifies the asset classes that must be carried at ‘fair value’ after initial recognition at cost, in accordance with AASB 13, to the extent that such assets are not classified as investment property or as held for sale.

- Plant and equipment and work in progress must be carried at cost.

- In respect of land under roads, the notes to the financial statements must disclose, in addition to the disclosures applicable to the entire land class:
  - the aggregate value of land under roads at reporting date;
  - the methodology to identify land under roads;
  - the valuation methodology applied to determine the fair value of land under roads; and
  - if no reliable value can be determined, the nature of the contingent asset.

- Subject to other specific legislative provisions for particular agencies:
  - for asset recognition and valuation:
    - agencies must comply with NCAP 1 Recognition of Assets and NCAP 3 Valuation of Assets, respectively.
for financial reporting purposes, all agencies are to adopt the asset classes, and not-for-profit agencies consolidated into the whole-of-Government financial statements are to adopt the recognition thresholds, for non-current physical assets set out in the NCAP 1, Appendix 1.1 Non-Current Asset Classes and Thresholds.

- for depreciation of non-current physical assets, agencies must comply with NCAP 5 Depreciation and Amortisation.
- for accounting for complex assets and their significant components, agencies must comply with NCAP 2 Complex Assets and Components.

APPLICATION GUIDANCE

Agencies are directed to Treasury’s website for the latest version of the NCAPs.

Asset valuation methods must be consistent within asset classes presented in note disclosures. Agencies should refer to the Sunshine Department Model Financial Statements for a suggested approach to the disclosure requirements of AASB 13.

Treasury does not require the disclosures “encouraged” in paragraph 79 of AASB 116 to be disclosed in agency financial statements.

Asset revaluation issues have, in past years, been the most common cause of agencies not meeting deadlines under the FA Act for the preparation and audit of annual financial statements. From 2017-18, Treasury therefore recommends agencies undertake early engagement with valuers in July/August to plan their revaluation process, to enable most of the revaluation effort to be accomplished by 31 May. By 31 May it is recommended that the valuations are obtained for all material classes of assets carried at fair value, and that all supporting workpapers are prepared and reviewed by management. This should enable adequate time for external audit review and negotiation of any contentious issues. Subject to success by agencies in this respect, an earlier recommended timeframe may be contemplated for financial years after 2017-18.
4B.2 INVESTMENT PROPERTY

REFERENCES

- AASB 140 Investment Property
- AASB 13 Fair Value Measurement
- NCAPs

POLICY

- In addition to relevant accounting standards agencies must comply with relevant requirements in NCAP 1 Recognition of Assets and NCAP 3 Valuation of Assets.

4B.3 INTANGIBLE ASSETS

REFERENCES

- AASB 5 Non-current Assets Held for Sale and Discontinued Operations
- AASB 13 Fair Value Measurement
- AASB 101 Presentation of Financial Statements
- AASB 138 Intangible Assets
- Interpretation 132 Intangible Assets – Web Site Costs
- NCAPs

POLICY

- For financial reporting purposes, all agencies are to adopt the asset classes, and not-for-profit agencies consolidated into the whole-of-Government financial statements are to adopt the recognition thresholds, for Intangibles set out in NCAP 1, Appendix 1.1 Non-Current Asset Classes and Thresholds.

- Agencies must comply with relevant requirements in NCAP 1 Recognition of Assets and NCAP 3 Valuation of Assets for intangibles.
APPLICATION GUIDANCE

Treasury does not require the disclosures “encouraged” in paragraph 128 of AASB 138 to be disclosed in agency financial statements.

4B.4 INVENTORIES

REFERENCES

- AASB 102 Inventories

APPLICATION GUIDANCE

A not-for-profit agency may hold inventories whose future economic benefits or service potential are not directly related to their ability to generate net cash inflows. For example, hospitals may hold stores of medicines or surgical supplies that are given to patients, or used in their treatment, either free of charge or for a fraction of their cost. These types of stores may qualify as inventories held for distribution.

Agencies should use professional judgement in determining which inventories should be classified as held for distribution. However, the inventories should be integral to the agency’s service delivery.

It is considered that the following generally would not constitute inventory held for distribution:

- annual reports;
- pamphlets;
- promotional material;
- forms; and
- guidelines.

Inventories held for distribution are measured at cost, adjusted, where applicable, for any loss of service potential in accordance with paragraph Aus9.2 of AASB 102.
4B.5 ASSETS ACQUIRED AT NO OR NOMINAL COST

REFERENCES
- AASB 116 Property, Plant and Equipment
- AASB 138 Intangible Assets
- NCAPs

POLICY
- Agencies must comply with relevant requirements in NCAP 1.3 Initial Recognition of Assets (“Initial Acquisition of Assets at No Cost or for Nominal Consideration”) and NCAP 3.7 Specific Valuation Issues.

4B.6 IMPAIRMENT

REFERENCES
- AASB 136 Impairment of Assets
- NCAPs

POLICY
- Agencies must comply with relevant requirements in NCAP 4 Impairment of Assets.
- Work in Progress must be assessed for indicators of impairment annually.
4B.7 RESTRICTED ASSETS

REFERENCES

- AASB 7 Financial Instruments: Disclosures
- AASB 107 Statement of Cash Flows
- AASB 116 Property, Plant and Equipment
- AASB 138 Intangible Assets
- NCAP 3.4 Application of Fair Value Concepts (Highest and Best Use)

POLICY

- Where restrictions have been imposed, whether by legislation or otherwise, on the manner in which an agency can utilise assets under its control, and such restrictions are material, the nature of the restrictions and the carrying amount of the affected assets must be disclosed in the notes to the financial statements.

APPLICATION GUIDANCE

For the purposes of the policy, any gifts/bequests of assets that have conditions attached as to how they are to be utilised are considered to be restricted assets and, as such, are to be included in the restricted assets disclosure. Assets that need to be considered for this disclosure include financial instruments (including cash) in addition to property, plant & equipment and intangible assets.

This disclosure should also consider assets with restrictions that have been identified in determining fair value for the purposes of AASB 13.
4B.8 GOODS AND SERVICES TAX (GST) RECEIVABLES/PAYABLES

REFERENCES

- Interpretation 1031 Accounting for the Goods and Services Tax (GST)

POLICY

- At each reporting date:
  - the net receivable from/payable to the ATO must be classified according to the ‘net’ position; and
  - the gross amount of input tax credits receivable from the ATO and the gross GST payable to the ATO, must be separately disclosed in the notes.

APPLICATION GUIDANCE

Interpretation 1031 requires GST relating to receivables and payables be recognised, but is silent on the issue of GST relating to accrued revenues and expenses.

GST legislation states that a liability (i.e. GST payable) occurs when a tax invoice has been issued for a taxable supply or a payment received for a taxable supply, whichever occurs earlier. The same rule applies to the entitlement to claim an input tax credit (i.e. GST receivable) either when a tax invoice is received for a taxable supply or a payment is made for a taxable supply, whichever occurs first.

An ‘accrual’ becomes a ‘creditor’ when an invoice is received with an invoice date within the financial reporting period. As a general rule, accrued liabilities are to be recognised exclusive of GST while creditors are inclusive of GST.

Invoices received after financial year end must be recognised as liabilities inclusive of GST (if material) if the tax invoice is dated prior to year-end. These represent creditors at balance date due to the supply of goods or services prior to the end of the financial year.
If the invoice is dated after year end for services provided prior to the year end, there is no entitlement to an input tax credit at balance date and therefore, the liability is an accrual and must be recorded exclusive of GST.

Any GST-inclusive liabilities recognised after the submission of the BAS will result in the need for a reconciliation of figures between the financial statements and the BAS (the latter having been determined based on general ledger figures as at the dated submission of the BAS).

Payments received in advance of a tax invoice being issued by the agency trigger a GST liability and corresponding liability to remit GST according to the GST legislation. Such a prepayment received prior to the year-end must be reported inclusive of GST.

When no tax invoice has been issued or no payment has occurred, accruals for revenues and expenses (that result in receivables and payables) should be reported exclusive of GST, as they represent an estimate only of charges that have been neither invoiced nor paid.

For information on the policy regarding the disclosure of GST in the Statement of Cash Flows, refer to FRR 5A Statement of Cash Flows.