

**Analysis of Disclosure Requirements  
Proposed in AASB Exposure Draft  
ED 212 *Not-for-Profit Entities within  
the General Government Sector* with a  
View to Determining Corresponding  
Tier 2 Disclosure Requirements**

## Analysis of Disclosure Requirements

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<p><b>13</b> An entity shall disclose, either in the financial statements or in the notes, the GAAP/GFS harmonised information about controlled items and administered items described in paragraph 14 of this Standard. The amounts included shall be determined in a manner consistent with the recognition and measurement principles described in paragraph 10 of this Standard, and classified in a manner consistent with the principles and rules in the ABS GFS Manual to the extent it does not conflict with other applicable Australian Accounting Standards.</p>	<p>Users need GAAP/GFS harmonisation information about each not-for-profit entity within the GGS as input to an assessment of the overall contribution of an entity to the whole of government.</p> <p>Accordingly, based on paragraph 10 of the Tier 2 Disclosure Principles, paragraph 13 should be retained in the Tier 2 disclosure requirements.</p>
<p><b>14</b> The disclosures referred to in paragraph 13 shall be presented in the form of:</p> <ul style="list-style-type: none"> <li>(a) a statement of financial position that is prepared in a manner consistent with the principles in AASB 101 and that presents controlled items and, separately, administered items;</li> <li>(b) a single statement of comprehensive income that is prepared in a manner consistent with the principles in AASB 101 and that presents: <ul style="list-style-type: none"> <li>(i) controlled income and expenses and, separately, administered income and expenses, classified as <i>transactions</i> or <i>other economic flows</i> determined in a manner consistent with the principles and rules in the ABS GFS Manual; and</li> <li>(ii) the <i>net operating balance</i> (which is the net result of transactions) attributable to controlled items and, separately, administered items; and</li> </ul> </li> <li>(c) a statement of cash flows that is prepared in a manner consistent with the principles in AASB 107 <i>Statement of cash flows</i> and that presents controlled cash flows and, separately, administered cash flows relating to investing in financial assets within policy purposes/liquidity management purposes classifications determined in a manner consistent with the principles and rules in the ABS GFS Manual.</li> </ul>	<p>Paragraph 14 gives effect to paragraph 13 disclosure that is retained in Tier 2 and therefore does not add to the disclosure burden of paragraph 13.</p> <p>Accordingly, based on paragraph 10 of the ‘Tier 2 Disclosure Principles’, paragraph 14 should be retained in the Tier 2 disclosure requirements.</p>

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<p>15 Paragraph 13 of this Standard requires amounts to be presented in a manner consistent with the ABS GFS Manual to the extent it does not conflict with other applicable Australian Accounting Standards. Certain Australian Accounting Standards do not prescribe specific treatments for all items and issues within their scope. An example is AASB 101, which specifies only the minimum line items to be presented in the statement of financial position and requires additional line items, headings and subtotals to be presented when such presentation is relevant to an understanding of the entity’s financial position. The ABS GFS Manual specifies principles and rules for the presentation of a balance sheet prepared for GFS purposes, including financial/non-financial asset classifications. Those ABS GFS Manual principles and rules are required to be applied in the presentation of the information required by paragraph 14(a) to the extent that they do not conflict with AASB 101. In relation to the statement of cash flows and the information required by paragraph 14(c), cash flows from operating activities may be reported using either the direct method or the indirect method under AASB 107. However, because the direct method is consistent with the format of the cash flow statement under the ABS GFS Manual, paragraph 13 of this Standard has the effect of requiring the direct method to be adopted.</p>	<p>Paragraph 15 provides guidance to paragraphs 13 and 14 disclosures that are retained in Tier 2 and therefore does not add to the disclosure burden.</p> <p>Accordingly, based on paragraph 7 of the ‘Tier 2 Disclosure Principles’, paragraph 15 should be retained in the Tier 2 disclosure requirements.</p>
<p>16 Paragraph 14(b)(i) of this Standard requires all amounts relating to controlled income and expenses and administered income and expenses to be classified as transactions or other economic flows determined in a manner consistent with the ABS GFS Manual. For the purpose of applying the definition of transactions, which includes the term ‘institutional unit’, an entity within the GGS is regarded as being an institutional unit. The following examples illustrate how paragraph 14(b)(i) applies to particular items – whether controlled or administered:</p> <ul style="list-style-type: none"> <li>(a) net profit/(loss) from associates. This comprises two components where there is a difference between the entity’s share of net profit/(loss) from associates and dividends from associates during a reporting period: <ul style="list-style-type: none"> <li>(i) one component, ‘dividends from associates (part of share of net profit/(loss) from associates)’, is classified as transactions, but is not included in the line item that includes dividends from entities other than associates; and</li> <li>(ii) the remaining component, ‘share of net profit/(loss) from associates, excluding dividends’, is classified as other economic flows;</li> </ul> </li> <li>(b) changes in the fair value of financial instruments measured at fair value, that do not arise from undistributed interest or dividends. These are classified as other economic flows, irrespective of whether the instruments are classified as ‘fair value through profit or loss’ or ‘available-for-sale’;</li> <li>(c) actuarial gains and losses relating to defined benefit superannuation plans. These are classified as other economic flows, irrespective of whether they are included in the calculation of operating result/profit or loss, or other comprehensive income section of</li> </ul>	<p>Paragraph 16 provides guidance to paragraphs 13 and 14 disclosures that are retained in Tier 2 and therefore does not add to the disclosure burden.</p> <p>Accordingly, based on paragraph 7 of the ‘Tier 2 Disclosure Principles’, paragraph 16 should be retained in the Tier 2 disclosure requirements.</p>

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<p>(d) the statement of comprehensive income; a change in the fair value of investment property. This potentially comprises two components:</p> <p>(i) one component, relating to consumption of capital, is classified as transactions, calculated by applying the principles of depreciation contained in AASB 116 Property, Plant and Equipment. Although the consumption of capital might be considered to be similar in nature to depreciation, it is not included in the line item that includes depreciation; and</p> <p>(ii) the remaining component, relating to price changes, is classified as other economic flows;</p> <p>(e) depreciation of defence weapons platforms. This is classified as transactions, by analogy with the GFS classification of depreciation of other plant and equipment;(f) doubtful debts. These are classified as other economic flows, by analogy with the GFS classification of revaluations of other assets;</p> <p>(g) bad debts. These are classified as transactions to the extent they are mutually agreed, otherwise they are classified as other economic flows;</p> <p>(h) the income and expense recognised as a result of liabilities such as defined benefit superannuation or long service leave being assumed by another entity (for example, the government) in accordance with paragraph 41 of AASB 1004 Contributions. These are classified as transactions, on the basis that they are an interaction between the entity within the GGS and another entity;</p> <p>(i) a capital asset charge, which might be imposed by a government on the written-down value of non-current physical assets controlled by the entity. This is classified as transactions on the basis that it is an interaction between the entity and the government. It also differs in nature from finance costs referred to in paragraph 82(b) of AASB 101;</p> <p>(j) amounts previously recognised in other comprehensive income that are reclassified to operating result/profit or loss (referred to as reclassification adjustments) under certain Australian Accounting Standards. These are classified as other economic flows to the extent they arise from the realisation of previously recognised other economic flows; and</p> <p>(k) dividend income. This is classified as transactions, to the extent that the ABS GFS Manual accounts for it as dividends, otherwise it is classified as other economic flows.</p>	
<p>17 The GFS key fiscal aggregate ‘net operating balance’ (i.e. net result from transactions) required to be presented for controlled items and administered items by paragraph 14(b)(ii) is measured in a manner consistent with other amounts recognised in the statement of comprehensive income. Except those required by other applicable Australian Accounting Standards, no other GFS key fiscal aggregates are required to be presented in any of the financial statements.</p>	<p>Paragraph 17 provides guidance to paragraphs 13 and 14 disclosures that are retained in Tier 2 and therefore does not add to the disclosure burden.</p> <p>Accordingly, based on paragraph 7 of the ‘Tier 2 Disclosure Principles’, paragraph 17 should be retained in the Tier 2 disclosure requirements.</p>

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<p>18 Paragraph 14(c) requires the presentation of controlled cash flows and administered cash flows relating to investing in financial assets within policy purposes/liquidity management purposes classifications determined in a manner consistent with the ABS GFS Manual. Paragraph 2.123 of the ABS publication <i>Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005</i> (ABS Catalogue No. 5514.0) notes that the distinction between investments in financial assets for policy and liquidity management purposes is based on the government’s motivation for acquiring the assets. Where the assets are acquired for the purpose of implementing or promoting government policy (for example, loans to assist industry development), the acquisition of the assets is treated as being for policy purposes. Where the assets are acquired for the purposes of managing the government’s cash reserves (for example, investment in shares with the aim of maximising returns), the acquisition is treated as being for liquidity management purposes.</p>	<p>Paragraph 18 provides guidance to paragraphs 13 and 14 disclosures that are retained in Tier 2 and therefore does not add to the disclosure burden.</p> <p>Accordingly, based on paragraph 7 of the ‘Tier 2 Disclosure Principles’, paragraph 18 should be retained in the Tier 2 disclosure requirements.</p>
<p>19 The requirements in AASB 1050 <i>Administered Items</i> continue to apply to government departments, except to the extent to which the information disclosed in accordance with paragraph 14 of this Standard satisfies the requirements of that Standard. In particular, in addition to providing the GAAP/GFS harmonisation information about administered items required by this Standard, government departments are required to disclose<sup>4</sup>:</p> <p>(a) each major class of administered assets, liabilities, income and expenses, to the extent those classes differ from the classes disclosed to comply with the requirements of this Standard;</p>	<p>Paragraph 19(a) would not be expected to provide useful information in a cost efficient manner as the costs that would be incurred to assess the extent to which the major classes of administered items differ from the classes identified for the purpose of satisfying paragraphs 13 and 14 would be likely to outweigh the benefits.</p> <p>Accordingly, based on paragraph 10 of the ‘Tier 2 Disclosure Principles’, paragraph 19(a) should be excluded from the Tier 2 disclosure requirements.</p>
<p>(b) in respect of each major class of administered income and expense, the amounts reliably attributable to each of the government department’s activities and the amounts not attributable to activities; and</p>	<p>Paragraph 19(b) would not be expected to provide useful information in a cost efficient manner.</p> <p>Accordingly, based on paragraph 3 of the ‘Tier 2 Disclosure Principles’ (being the basis for excluding the equivalent requirement from Tier 2 disclosure requirements of AASB 1050), paragraph 19(b) should be excluded from the Tier 2 disclosure requirements.</p>

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(c) details of the broad categories of recipients of transfer payments and the amounts transferred to those recipients.	<p>Paragraph 19(c) is expected to provide useful information for users about transfer payments in a cost efficient manner.</p> <p>Accordingly, based on paragraph 10 of the ‘Tier 2 Disclosure Principles’ (and the fact the requirement is retained in the Tier 2 disclosure requirements of AASB 1050), paragraph 19(c) should be retained in the Tier 2 disclosure requirements.</p>
20 In satisfying the requirements for disclosure of information about administered items required by paragraphs 13 and 14 of this Standard, the principles for identifying administered items and reporting them on the same basis adopted for the recognition of the elements of the financial statements in AASB 1050 are applied.	<p>Paragraph 20 provides guidance to paragraphs 13 and 14 disclosures that are retained in Tier 2 and therefore does not add to the disclosure burden.</p> <p>Accordingly, based on paragraph 7 of the ‘Tier 2 Disclosure Principles’, paragraph 20 should be retained in the Tier 2 disclosure requirements.</p>
21 The requirements in AASB 1052 <i>Disaggregated Disclosures</i> continue to apply to government departments.	<p>Paragraph 21 would not be expected to provide information from which the benefits would outweigh the costs. This is because of the expectation that the major activities that might be identified by a government department under AASB 1052 would not necessarily align with the disaggregated disclosures being made in the consolidated financial statements at the general government sector (GGS) or whole of government (WoG) levels.</p> <p>Accordingly, in view of the fact that the <i>IFRS for SMEs</i> does not include disclosures equivalent to AASB 8 <i>Operating Segments</i>, and consistent with paragraph 10 and the reasoning in paragraph 3 of the ‘Tier 2 Disclosure Principles’ (being the basis for excluding the equivalent requirement from Tier 2 disclosure requirements of AASB 1052), paragraph 21 should be excluded from the Tier 2 disclosure requirements.</p>
22 Examples A and B illustrate possible formats for presenting the information required by paragraphs 13 and 14.	<p>Paragraph 22 provides guidance to paragraphs 13 and 14 disclosures that are retained in Tier 2 and therefore does not add to the disclosure burden.</p> <p>Accordingly, based on paragraph 7 of the ‘Tier 2 Disclosure Principles’, paragraph 22 should be retained in the Tier 2 disclosure requirements.</p>

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<p><b>23 Where a budgeted:</b></p> <p>(a) <b>statement of financial position;</b>  (b) <b>statement of comprehensive income;</b>  (c) <b>statement of changes in equity; or</b>  (d) <b>statement of cash flows;</b>  <b>Reflecting controlled or administered items is presented to parliament, the financial statements shall disclose for the reporting period:</b>  (e) <b>that original budgeted financial statement presented to parliament, presented and classified on a basis that is consistent with the presentation and classification of:</b></p> <p>(i) <b>the information about controlled items presented in the primary financial statements and the accompanying information about administered items;</b>  <b>or</b>  (ii) <b>the information about controlled and administered items presented in the GAAP/GFS harmonisation note (as allowed by paragraphs 13 and 14 of this Standard), where an entity elects to present the information in a note rather than in the financial statements, whichever is judged to be the more useful for users; and</b></p>	<p>Paragraph 23(e) provides users with relevant information on the entity's planning and costing, and facilitates a budget to actual comparison for accountability purposes.</p> <p>Accordingly, based on paragraph 10 of the 'Tier 2 Disclosure Principles', paragraph 23(e) should be retained in the Tier 2 disclosure requirements.</p>
<p>(f) <b>explanation of major variances between the actual amounts presented in relation to (e)(i) or (ii) and corresponding original budget amounts.</b></p>	<p>Paragraph 23(f) provides users with useful information from an accountability perspective.</p> <p>Accordingly, based on paragraph 10 of the 'Tier 2 Disclosure Principles', paragraph 23(f) should be retained in the Tier 2 disclosure requirements.</p>
<p><b>24 Comparative budgetary information in respect of the previous period need not be disclosed.</b></p>	<p>Paragraph 24 provides relief from disclosures, consistent with paragraph 38 of AASB 101.</p> <p>Accordingly, based on paragraph 10 of the 'Tier 2 Disclosure Principles', paragraph 24 should be retained in the Tier 2 disclosure requirements.</p>
<p><b>25</b> The original budget is the first budget presented to parliament in respect of the reporting period. Amendments made to the budget by the executive are not reflected in the budgetary information that is required to be disclosed under paragraph 23.</p>	<p>Paragraph 25 provides guidance to paragraph 23 disclosure that is retained in Tier 2 and therefore does not add to the disclosure burden.</p> <p>Accordingly, based on paragraph 7 of the 'Tier 2 Disclosure Principles', paragraph 25 should be retained in the Tier 2 disclosure requirements.</p>

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26	Any revised budget that is presented to parliament during the reporting period may be disclosed in addition to the original budget.	<p>Paragraph 26 is permissive, acknowledging an entity might elect to disclose a revised budget to meet the needs of users, and therefore does not add to the disclosure burden.</p> <p>Accordingly, based on paragraphs 7 and 10 of the ‘Tier 2 Disclosure Principles’, paragraph 26 should be retained in the Tier 2 disclosure requirements.</p>
27	For the purpose of this Standard, entities are required to report the financial information required by paragraph 23 about their original budgets for the reporting period that are presented to parliament. This facilitates users of financial statements (including taxpayers) making and evaluating decisions about the allocation of scarce resources and for assessing the discharge of accountability. The budget information is disclosed on the same presentation and classification basis as the basis adopted in either the primary financial statements and accompanying information about administered items or the GAAP/GFS harmonisation information that might be disclosed in the notes rather than in the financial statements, whichever is the more useful for users, to facilitate a comparison of actual outcomes against the budget.	<p>Paragraph 27 provides guidance to paragraph 23 disclosure that is retained in Tier 2 and therefore does not add to the disclosure burden.</p> <p>Accordingly, based on paragraph 7 of the ‘Tier 2 Disclosure Principles’, paragraph 27 should be retained in the Tier 2 disclosure requirements.</p>
28	To the extent the first budget presented to parliament is not consistent with the information in the corresponding primary financial statements and accompanying information about administered items or the GAAP/GFS harmonisation information required by paragraphs 13 and 14, the budget presented to parliament is restated for budget disclosure purposes to align with the accounting presentation and classification basis specified in this Standard. Where the budget basis to be disclosed is consistent with the accounting basis adopted in the financial statements and accompanying information about administered items, budget information may be presented in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows.	<p>Paragraph 28 provides guidance to paragraph 23 disclosure that is retained in Tier 2 and therefore does not add to the disclosure burden.</p> <p>Accordingly, based on paragraph 7 of the ‘Tier 2 Disclosure Principles’, paragraph 28 should be retained in the Tier 2 disclosure requirements.</p>
29	The explanations of major variances required to be disclosed by paragraph 23(f) are those relevant to an assessment of the discharge of accountability and to an analysis of performance of the entity. They include high-level explanations of the causes of major variances rather than merely the nature of the variances.	<p>Paragraph 29 provides guidance to paragraph 23(f) disclosure that is retained in Tier 2 and therefore does not add to the disclosure burden.</p> <p>Accordingly, based on paragraph 7 of the ‘Tier 2 Disclosure Principles’, paragraph 29 should be retained in the Tier 2 disclosure requirements.</p>



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<p><b>30 The note containing the summary of significant accounting policies shall make reference to the extent to which GAAP/GFS harmonisation principles have been adopted and the extent to which the ABS GFS Manual has formed a basis for determining accounting policies consistent with Australian Accounting Standards. Therefore, in addition to the disclosures required by other Australian Accounting Standards in the note containing the summary of significant accounting policies, the following disclosures shall be made prominently:</b></p> <p><b>(a) a statement that the financial statements are prepared in accordance with this Standard;</b></p>	<p>Paragraph 30(a) requires disclosure of information that is relevant to users understanding of the accounting policies adopted in preparing the information contained in the entity's financial statements.</p> <p>Accordingly, based on paragraph 10 of the 'Tier 2 Disclosure Principles', paragraph 30(a) should be retained in the Tier 2 disclosure requirements.</p>
<p><b>(b) a reference to the version of the ABS GFS Manual used as the basis for GFS information included in the financial statements; and</b></p>	<p>Paragraph 30(b) requires disclosure of information that is relevant to users understanding the basis for the information contained in the entity's financial statements.</p> <p>Accordingly, based on paragraphs 6(d) and 10 of the 'Tier 2 Disclosure Principles', paragraph 30(b) should be retained in the Tier 2 disclosure requirements.</p>
<p><b>(c) when an entity has not applied the most recent version of the ABS GFS Manual:</b></p> <p><b>(i) that fact; and</b></p> <p><b>(ii) known or reasonably estimable information relevant to assessing the possible impact that application of the latest version of the ABS GFS Manual will have on the entity's GAAP/GFS harmonised information included in the financial statements in the period of initial application of that version.</b></p>	<p>Paragraph 30(c) is analogous to paragraph 30 of AASB 108, which is excluded from RDR based on paragraph 3 of the 'Tier 2 Disclosure Principles'.</p> <p>Accordingly, using the same reasoning, paragraph 30(c) should be excluded from the Tier 2 disclosure requirements.</p>
<p><b>31 In complying with paragraph 30(c), an entity considers disclosing:</b></p> <p><b>(a) the version of the latest ABS GFS Manual;</b></p> <p><b>(b) the nature of the impending change or changes in the ABS GFS Manual;</b></p> <p><b>(c) the date by which application of the latest version of the ABS GFS Manual is required;</b></p> <p><b>(d) the date as at which it plans to apply the latest version of the ABS GFS Manual initially; and</b></p> <p><b>(e) either:</b></p> <p><b>(i) a discussion of the impact that initial application of the latest version of the ABS GFS Manual is expected to have on the GAAP/GFS harmonised information included in the entity's financial statements; or</b></p> <p><b>(ii) if that impact is not known or reasonably estimable, a statement to that effect.</b></p>	<p>Paragraph 31 (analogous to paragraph 31 of AASB 108, which is excluded from RDR) provides guidance to paragraph 30(c) disclosure that is not retained in Tier 2.</p> <p>Accordingly, based on paragraph 7 of the 'Tier 2 Disclosure Principles', paragraph 31 should be excluded from the Tier 2 disclosure requirements.</p>

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<p><b>32 An entity might also elect to make additional disclosures in the financial statements. Where that is the case, the additional disclosures shall be made in a way that does not detract from the information prescribed in Australian Accounting Standards.</b></p>	<p>Consistent with entity’s providing information to meet the needs of users, paragraph 32 explicitly allows an entity to make additional disclosures under Tier 2, and therefore does not add to the disclosure burden. It specifies certain characteristics of any additional disclosures an entity might elect to make, and therefore addresses the quality (e.g. consistency) rather than the volume of information.</p> <p>Consistent with paragraph 7 of the ‘Tier 2 Disclosure Principles’, paragraph 32 should be retained in the Tier 2 disclosure requirements.</p>