

## Mandates of options and major policy decisions under Australian Accounting Standards

**This Circular updates Treasury mandates under Australian Accounting Standards to be applied in all NSW public sector entity financial statements for financial years ending on or after 30 June 2019. This Circular applies to all entities required to prepare general purpose financial statements under the Public Finance and Audit Act 1983, including Statutory State Owned Corporations. It supersedes and withdraws the previous Treasury Circular TC18-01 with the same title.**

### Summary:

All NSW public sector entities must apply Australian Accounting Standards. This Circular updates the mandates of accounting policy options and major policy decisions under Australian Accounting Standards to be applied in entity financial statements for financial years ending on or after 30 June 2019.

The main changes to the mandates are the adoption of new accounting standards effective in FY 2018-19, and to update the list of Standards issued but not yet effective and confirm that Accounting Standards cannot be early adopted.

This Circular is issued as a Direction in accordance with sections 9 and 45E of the Public Finance and Audit Act 1983. A specific reference to this Treasury Circular will also be included in the Statement of Corporate Intent of Statutory State Owned Corporations. Accordingly, this Circular applies to all entities required to prepare general purpose financial statements under the Act, including Statutory State Owned Corporations.

This Circular supersedes and withdraws Treasury Circular TC18-01 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards*.

This Circular should be read in conjunction with relevant Treasury Circulars and Treasury Policy Papers (available in the document library on Treasury's website).

Stewart Walters  
Executive Director  
Financial Management, Reporting & Analysis  
NSW Treasury

Further Information: Accounting Policy Branch  
Email: [accpol@treasury.nsw.gov.au](mailto:accpol@treasury.nsw.gov.au)  
NSW Treasury website: [www.treasury.nsw.gov.au/](http://www.treasury.nsw.gov.au/)

## 1. Background

Australian Accounting Standards provide certain accounting policy options. This Circular update the mandates of accounting policy options and major policy decisions for recent amendments to Australian Accounting Standards and Treasury requirements (refer to section 3 of the Circular).

The main changes to the mandates are the following:

- a. Update on the list of Standards issued but not yet effective and confirm that Accounting Standards cannot be early adopted;
- b. adoption of AASB 9 *Financial Instruments*;
- c. **For-profits only**: adoption of AASB 15 *Revenue from Contracts with Customers*.

## 2. Application

This Circular applies to financial years ending on or after 30 June 2019. This Circular is issued as a Direction in accordance with sections 9 and 45E of the *Public Finance and Audit Act 1983*. A specific reference to this Treasury Circular will also be included in the Statement of Corporate Intent of Statutory State Owned Corporations. Accordingly, this Circular applies to all entities required to prepare general purpose financial statements under the Act, including Statutory State Owned Corporations.

This Circular supersedes and withdraws TC18-01 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards*.

This Circular must be read in conjunction with Treasury's other Circulars and Policy Papers regarding Australian Accounting Standards. Only major policy decisions are listed in this Circular and, where applicable, the Circular cross refers to the particular Treasury Circular or Policy Paper.

### *The Government Sector Finance Act 2018*

The Government Sector Finance Act 2018 (GSF Act) became law in November 2018, and elements of the GSF Act come into force from 1 December 2018. The financial reporting, audit and annual reporting elements of the GSF Act have not yet come into force. For more information please refer to NSW Treasury's GSF Act website.

### 3. Mandates of options and major policy decisions under Australian Accounting Standards

Options / Requirements	Treasury Mandate	FRC Reference
<b>For-profit (FP) / not-for-profit (NFP) entity classification</b>		
<p>The FP / NFP classification is used across a number of Standards. More significant impacts occur in the areas of impairment and grants.</p>	<p>Refer TPP05-4 <i>Distinguishing For-Profit from Not-For-Profit Entities</i>. NSW public sector entities must consider the following factors when deciding whether to classify an entity as FP or NFP, for general purpose financial statement purposes:</p> <ul style="list-style-type: none"> <li>• Statements by owners about the objectives of the entity, such as statements contained in legislation, regulations, entity constitutions and shareholder resolutions;</li> <li>• the governance framework applied to the entity; i.e. the corporate structure adopted and the formal relationship with owners;</li> <li>• the purpose, nature and extent of funding from owners, focusing on the extent to which ongoing budget support is provided to an entity;</li> <li>• the targeted financial performance of the entity, as agreed between owners and the board/management, focusing on the extent to which the entity funds its expenses, maintains its asset base and provides returns to owners;</li> <li>• the classification of the entity under Government Finance Statistics (GFS).</li> </ul>	<p>Note 1(a)</p>
<b>Reserve accounting</b>		
<p>Legislation or Australian Accounting Standards may require agencies to create and recognise reserve accounts in their annual financial statements.</p>	<p>All NSW public sector entities must not create and recognise reserve accounts in their annual financial statements unless required by specific legislation or Australian Accounting Standards.</p>	<p><i>Statement of Changes in Equity</i> Note 26</p>
<b>Public private partnerships</b>		
<p>In the absence of mandatorily applicable Australian Accounting Standard on Privately Financed Projects (PFPs), Treasury's policy on Accounting for PFPs applies. Treasury's policy is largely based on the principles in UK standard FRS 5 <i>Reporting the Substance of Transactions</i>.</p>	<p>Refer TPP06-8. Agencies are required to adopt Treasury's policy on Accounting for PFPs. The policy deals with recognition of infrastructure assets or the right to receive them, recognition of up-front contributions and accounting for associated land leases.</p>	

Options / Requirements	Treasury Mandate	FRC Reference
<b>Appropriations and Transfers to the Crown Entity</b>		
Additional disclosures to enable users to understand the impact of specific transactions.	<ul style="list-style-type: none"> <li>• If an entity receives an equity appropriation this must also be disclosed in the summary of compliance as part of the appropriation.</li> <li>• Entities receiving direct appropriation must additionally disclose the following below the summary of compliance:               <ol style="list-style-type: none"> <li>1. A statement that the summary is based on the assumption that Consolidated Fund moneys are spent first, unless otherwise identified or prescribed;</li> <li>2. an explanation of how the 'Liability for unspent appropriations drawn down' (formerly known as 'Liability to Consolidated Fund') is calculated (i.e. the difference between 'Amount drawn down against Appropriation' and 'Expenditure / Net Claim on Consolidated Fund').</li> </ol> </li> </ul>	<p><i>Note 3(a)</i></p> <p><i>Summary of compliance with financial directives - Commentary No.8</i></p>
	<ul style="list-style-type: none"> <li>• Where an entity must remit either all or a portion of the proceeds on sale of assets to the Crown Entity, such remittances must be included in 'transfers to the Crown Entity' after the line item 'appropriation' in the statement of comprehensive income.</li> </ul>	<p><i>Statement of Comprehensive Income - Commentary No.10</i></p>
	<ul style="list-style-type: none"> <li>• Entities must separately disclose transfers to the Crown Entity, including asset sales proceeds transferred and transfers from commercial business units. Where there is only one category of transfers to the Crown Entity, a note disclosure is not required (although, the nature of the transfer must be included on the face of the statement of comprehensive income; e.g. Transfers to the Crown Entity - asset sale proceeds).</li> </ul>	<p><i>Note 3(b)</i></p>
<b>Trust Funds</b>		
Additional disclosures are provided to enable users to understand the impact of particular transactions.	Trust funds are not brought to account in the financial statements but are shown in the notes for information purposes. Mandate disclosure of types, purposes and movements of trust funds by broad categories.	<p><i>Note 32</i></p>

Options / Requirements	Treasury Mandate	FRC Reference
<b>Australian Accounting Standards Board (AASB) 9 <i>Financial Instruments</i> (from 1 July 2018)</b>		
AASB 9 para 7.2.1 requires the standard to be applied retrospectively at the date of initial application. The standard allows, but does not require, restatement of prior periods where possible without the use of hindsight (para 7.2.15).	Mandate agencies shall <b>not</b> restate prior periods even if possible without the use of hindsight. Any difference between previous carrying amounts under AASB 139 and those determined under AASB 9 at the date of initial application should be included in opening accumulated funds at 1 July 2018.	<i>Commentary No.11 on financial statements</i>
Regular way contracts – AASB 9 para 3.1.2 provides the option of using either trade date or settlement date accounting for purchases or sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned (paras B3.1.3 to B3.1.6 and Appendix A).	Mandate trade date accounting; i.e. date on which the entity commits itself to purchase or sell the asset (refer AASB 9 para B3.1.5).	<i>Notes 11, 13 and 14</i>
AASB 9 para 4.1.5 allows an entity to irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an ‘accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.	Agencies should obtain written approval from Treasury after documenting the reasons for such designation.	<i>Note 13</i>
Irrevocable designation of financial liabilities at fair value through profit or loss is permitted when either (para 4.2.2): <ul style="list-style-type: none"> <li>• It eliminates or significantly reduces an accounting mismatch;</li> <li>• a group of financial liabilities or financial assets and financial liabilities is managed, and its performance is evaluated on a fair value basis; or</li> </ul>	Agencies should obtain written approval from Treasury after documenting the reasons for such designation.	<i>Note 23</i>

Options / Requirements	Treasury Mandate	FRC Reference
<ul style="list-style-type: none"> <li>a financial liability contains one or more embedded derivatives that meet certain conditions (para 4.3.5).</li> </ul>		
<p>AASB 9 para 5.7.5 allows an entity to make an irrevocable election to designate at fair value through other comprehensive income an investment in an equity instrument that is neither held for trading nor a contingent consideration recognised by an acquirer in a business combination.</p>	<p>Designation of equity instruments at fair value through other comprehensive income is expected to be applied only in limited circumstances.</p> <p>Agencies should obtain written approval from Treasury after documenting the reasons for such designation.</p>	<p><i>Note 13</i></p>
<p>AASB 9 para 5.5.15(a)(ii) allows an accounting policy choice of the general approach or the simplified approach of recognising a loss allowance for expected credit losses on trade receivables with a significant financing component, contract assets with a significant financing component and lease receivables.</p>	<p>Mandate application of the simplified approach (i.e. loss allowance at an amount equal to lifetime expected credit losses) to all trade receivables with a significant financing component, contract assets with a significant financing component and lease receivables.</p>	<p><i>Notes 11 and 14</i></p>
<p>AASB 9 para B5.5.35 allows using a provision matrix as a practical expedient for determining expected credit losses on trade receivables.</p>	<p>Mandate agencies to adopt this expedient.</p> <p>Agencies would need to consider how current and forward-looking information might affect their customers' historical default rates and, consequently, how the information would affect their current expectations and estimates of expected credit losses.</p>	<p><i>Notes 11 and 14</i></p>
<p>AASB 9 para 5.5.10 allows an entity to assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.</p>	<p>Mandate agencies to adopt this operational simplification.</p>	<p><i>Notes 13 and 14</i></p>
<p>AASB 9 para 7.2.21 allows an entity to continue to apply the hedge accounting requirements of AASB 139 instead of the requirements of AASB 9.</p>	<p>Mandate agencies to apply the hedge accounting requirements of AASB 9.</p>	
<p>Hedge accounting requirements of AASB 9 should be applied prospectively (para 7.2.22) with the exception of accounting for the forward element of forward contracts [refer para 7.2.26(b)] where</p>	<p>Agencies should contact Treasury to determine the appropriate policy choice for such derivative contracts.</p>	

Options / Requirements	Treasury Mandate	FRC Reference
there is a choice to apply prospectively or retrospectively.		
Hedges of firm commitments – a hedge of foreign currency risk of a firm commitment may be accounted for as either a fair value hedge or cash flow hedge (para 6.5.4).	Agencies should contact Treasury to determine the appropriate policy choice for such derivative contracts.	
<b>AASB 10 Consolidated Financial Statements</b>		
A parent may elect not to present consolidated financial statements where certain conditions are satisfied, in accordance with AASB 10, para 4 and 4.1.	Mandate that a parent entity must present consolidated financial statements. Mandate the financial statements of the parent entity must be included as a separate column adjacent to the consolidated financial statements.	<i>Note 1 – Commentary No.4</i>
<b>AASB 15 Revenue from Contracts with Customers (For-profits ONLY)</b>		
AASB 15 para 63 allows entities to not adjust the promised consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.	Mandate agencies to adopt this expedient.	
AASB 15 para 94 allows entities to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity would otherwise recognise is one year or less.	Mandate agencies to adopt this expedient.	
AASB 15 para C3 allows an entity to apply the standard either: <ul style="list-style-type: none"> <li>• Retrospectively to each prior reporting period presented in accordance with AASB 108, subject to the expedients in paragraph C5;</li> <li>• retrospectively with the cumulative effect of initially applying this Standard recognised at</li> </ul>	Mandate full retrospective application to each prior reporting period presented in accordance with AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .	

Options / Requirements	Treasury Mandate	FRC Reference
the date of initial application in accordance with paragraphs C7-C8.		
<p>AASB 15 para C5(a) allows the practical expedient to not restate completed contracts that:</p> <ul style="list-style-type: none"> <li>• Begin and end within the same annual reporting period; or</li> <li>• are completed contracts at the beginning of the earliest period presented.</li> </ul>	Mandate agencies <b>not to</b> adopt this expedient.	
For completed contracts that have variable consideration, AASB 15 para C5(b) allows entities to use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.	Mandate agencies to adopt this expedient.	
<p>AASB 15 para C5(c) allows the practical expedient of reflecting the aggregate effect of all modifications that occur before the beginning of the earliest period presented when:</p> <ul style="list-style-type: none"> <li>• Identifying the satisfied and unsatisfied performance obligations;</li> <li>• determining the transaction price; and</li> <li>• allocating the transaction price to the satisfied and unsatisfied performance obligations.</li> </ul>	Mandate agencies to adopt this expedient.	
For all reporting periods presented before the date of initial application, AASB 15 para C5(d) allows entities to not disclose the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue.	Mandate agencies to adopt this expedient.	



Options / Requirements	Treasury Mandate	FRC Reference
<b>AASB 101 Presentation of Financial Statements</b>		
<p>AASB 101 para 10A allows either:</p> <ul style="list-style-type: none"> <li>The presentation of a single statement of profit or loss and other comprehensive income (statement of comprehensive income); or</li> <li>two statements: a separate statement of profit or loss and a statement presenting comprehensive income (displaying components of other comprehensive income; i.e. non-owners' changes in equity, such as asset revaluation surplus movements).</li> </ul>	<p>Mandate a single statement of comprehensive income for all General Government Sector (GGS) entities, consistent with GFS. Allow either the presentation of a single statement of comprehensive income or two statements for Public non-financial corporations (PNFC) and Public financial corporations (PFC).</p>	<p><i>Statement of Comprehensive Income – Commentary No. 3</i></p>
<p>For each component of equity, an entity must present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item (para 106A).</p>	<p>Mandate the analysis of other comprehensive income by item must be presented in the statement of changes in equity for all GGS entities. PFC/PNFC entities may present an analysis of other comprehensive income by item either in the statement of changes in equity or in the notes.</p>	<p><i>Statement of Changes in Equity – Commentary No. 2</i></p>
<p>An entity shall present an analysis of expenses using a classification based on either their nature or their function in the entity, whichever provides information that is reliable and more relevant (para 99).</p>	<p>Mandate that expenses be presented on the basis of their nature.</p>	<p><i>Statement of Comprehensive Income – Commentary No. 7 Note 2</i></p>
<p>When items of income or expense are material, an entity shall disclose their nature and amount separately (para 97).</p>	<p>Mandate the following transactions, if material, be disclosed separately:</p> <ul style="list-style-type: none"> <li>Employee related expenses: salaries and wages (including annual leave), superannuation – defined benefit plans, superannuation – defined contribution plans, long service leave, workers compensation insurance, payroll tax and fringe benefits tax and other major categories;</li> <li>auditor's remuneration, cost of sales, costs of inventories held for distribution, operating lease rental expenses, maintenance, insurance, consultants, other contractors, research and development and other major categories of operating expenses;</li> </ul>	<p><i>Note 2(a)(b)(d) Note 3(d)(e)(g)(h) Note 4</i></p>

Options / Requirements	Treasury Mandate	FRC Reference
	<ul style="list-style-type: none"> <li>• nature and amount of major categories of grant and subsidy expenses;</li> <li>• investment revenue [including interest income, gains/ (losses) from TCorpIM Funds measured at fair value through profit or loss (under AASB 9 from 1 July 2018) and TCorpIM Funds designated at fair value through profit or loss (under AASB 139 until 30 June 2018), dividends, rents and royalties];</li> <li>• revenue from retained taxes, fees and fines;</li> <li>• acceptance by the Crown Entity: superannuation – defined benefit, long service leave provision, borrowings and other major categories;</li> <li>• major categories of other revenue, including forgiveness of liabilities and fee income;</li> <li>• gains or losses on disposal of each category of financial instruments.</li> </ul> <p>Note: For entities receiving personnel services (as discussed in TC15-07), the reference to 'employee related maintenance expense' in TPP06-6 must be read as a reference to 'personnel services maintenance expense'. In effect, this amends the <i>Guidelines for Capitalisation of Expenditure on Property, Plant and Equipment</i> (TPP06-6) to require the total maintenance expense to be dissected into personnel services related maintenance and other maintenance.</p>	
<p>An entity shall present current and non-current assets / liabilities as separate classifications in its statement of financial position except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity shall present all assets and liabilities in order of liquidity (para 60).</p>	<ul style="list-style-type: none"> <li>• Mandate NSW GGS entities to adopt the current / non-current presentation.</li> <li>• Any liability for unspent appropriations drawn down calculated (excluding any liability in respect of transfer payments) must be recognised as a current liability.</li> </ul>	<p><i>Statement of financial position – Commentary No. 1; Note 25</i></p>

Options / Requirements	Treasury Mandate	FRC Reference
When an entity's normal operating cycle is not clearly identifiable, its duration is assumed to be 12 months (para 68 and 70).	Mandate public sector entities to adopt a 12-month operating cycle. Where an entity intends to adopt a shorter or a longer time period, it must seek approval from Treasury.	<i>Statement of financial position – Commentary No. 4</i>
An entity shall disclose, either in the statement of financial position or in the notes, further sub-classifications of the line items presented, classified in a manner appropriate to the entity's operations (para 77).	Mandate following separate disclosures: <ul style="list-style-type: none"> <li>• Receivables, distinguishing between sale of goods and services, retained taxes, fees and fines, prepayments and other major categories of receivables (e.g. personnel services receivable for entities providing personnel services per TC15-07);</li> <li>• financial assets at fair value, separately disclosing derivatives, TCorpIM Funds (other than the TCorpIM Funds cash facility which is included as 'cash assets'), shares and other major categories. The TCorpIM Funds that are normally part of the 'financial assets at fair value' category include the strategic cash facility, medium-term growth and long-term growth facilities;</li> <li>• other financial assets, separately disclosing other loans and deposits (e.g. Treasury Corporation deposits greater than 90 days), advances receivable and other major categories of investments;</li> <li>• major categories of other assets;</li> <li>• payables, separately disclosing accrued salaries, wages and on-costs, creditors and other major categories (e.g. personnel services payable for entities receiving personnel services per TC15-07);</li> <li>• borrowings, separately disclosing bank overdrafts, Treasury advances repayable, TCorp borrowings, other loans and deposits, finance leases and other major categories (e.g. financial guarantee liabilities, where material);</li> <li>• provisions, separately disclosing (a) employee benefits and related on-costs – including annual leave, long service leave and other major categories; (b) other provisions – including restoration costs and other major categories (e.g. personnel</li> </ul>	<i>Note 11</i>  <i>Note 13</i>  <i>Note 14</i>  <i>Note 18</i> <i>Note 22</i>  <i>Note 23</i>  <i>Note 24</i>

Options / Requirements	Treasury Mandate	FRC Reference
	services liabilities for entities receiving personnel services per TC 15-07); <ul style="list-style-type: none"> <li>other liabilities, separately disclosing liability for unspent appropriations drawn down, unearned revenue and any major categories of other liabilities.</li> </ul>	Note 25
<b>AASB 107 Statement of Cash Flows</b>		
Cash flows from operating activities must be reported using either the (para 18): <ul style="list-style-type: none"> <li>Direct method; or</li> <li>indirect method.</li> </ul>	Mandate the direct method.	<i>Statement of Cash Flows – Commentary No. 1</i>
The Standard allows certain cash flows to be reported on a net basis, in limited circumstances (para 22-24) i.e: <ul style="list-style-type: none"> <li>Cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity; and</li> <li>cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short.</li> </ul>	Mandate that relevant cash flows must be reported net, in the limited circumstances referred to in paras 22-24. Cash flows must be reported gross in all other circumstances (para 18 and 21).	<i>Statement of Cash Flows – Commentary No. 1</i>
Interest paid and interest and dividends received may be classified as operating or financing / investing flows (para 33).	Mandate interest paid and interest and dividends received as operating cash flows, to harmonise with GFS.	<i>Statement of Cash Flows – Commentary No. 1</i>
Dividends paid may be classified as (para 34): <ul style="list-style-type: none"> <li>A financing cash flow; or</li> <li>a cash flow from operating activities.</li> </ul>	Mandate dividends paid as a financing cash flow.	<i>Statement of Cash Flows</i>
Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally	Mandate short-term deposits with a maturity of three months or less to be classified as cash and cash equivalents.	Note 10

Options / Requirements	Treasury Mandate	FRC Reference
qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition (para 7).		
Additional information may be relevant to users in understanding the financial position and liquidity of an entity. Disclosure of this information, together with a commentary by management, is encouraged (para 50).	Where cash is transferred as part of an administrative restructure, the reconciliation of opening and closing cash balances in the statement of cash flows will be affected. To ensure that cash reconciles in the statement of cash flows, the 'Opening cash and cash equivalents' amount is to be adjusted to include any cash received or paid as a result of restructuring.	<i>Statement of Cash Flows</i>  <i>Note 10</i>
<b>AASB 116 Property, Plant and Equipment (PP&amp;E)</b>		
Cost model or revaluation model (fair value) (para 29).	Refer TPP14-01. Mandate the fair value (i.e. revaluation model) option.	<i>Note 15</i>
Gross or net restatement option (para 35) i.e. where PP&E is revalued, any accumulated depreciation is treated in one of two ways: <ul style="list-style-type: none"> <li>• Restated proportionately with the change in gross carrying amount so that the carrying amount of the asset after revaluation equals its revalued amount (gross restatement);</li> <li>• eliminated against the gross carrying amount of the asset and the net carrying amount restated to the revalued amount of the asset (net restatement).</li> </ul>	TPP14-01 mandates use of: <ul style="list-style-type: none"> <li>• Gross restatement where an asset is revalued using the cost approach;</li> <li>• net restatement where an asset is revalued using the income approach or market approach.</li> </ul>	<i>Note 15</i>
Asset revaluation surplus may be transferred to retained earnings on derecognition or progressively as the asset is used (para 41).	Mandate the transfer of asset revaluation surplus on derecognition.	
AASB 116 does not prescribe the unit of measure for recognising assets, that is, what constitutes an item of PP&E (para 9). This is relevant for FP entities, when offsetting revaluation increments and decrements on an individual asset basis (para 39 and 40).	Refer TPP14-01 section 3.1. For FP entities, asset revaluation increments and decrements must be offset for individual “assets” (para 39 and 40). An “asset”, not a “part of an asset”, is the basis for accounting for the movement in the asset revaluation surplus. Therefore, asset revaluation increments and decrements relating to components (or parts) of a complex infrastructure asset may be offset.	<i>Note 15</i>

Options / Requirements	Treasury Mandate	FRC Reference
	For NFP entities asset revaluation increments and decrements are offset for classes of assets (para Aus39.1, Aus40.1 and Aus40.2).	
AASB 116 requires the disclosure of the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction [para 74(b)]	Mandate that employee-related costs that have been capitalised in particular fixed assets' accounts must be separately disclosed under 'Employee related expenses'.	<i>Note 2(a)</i>
AASB 116 requires disclosures for each class of property, plant and equipment. A class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity's operations (para 73 and 37).	<ul style="list-style-type: none"> <li>• Mandate separate disclosure of classes: 'land and buildings', 'plant and equipment', 'infrastructure systems'. 'Leased assets' [specify type of leased assets], where applicable, are to be disclosed as a sub-class, within the above classes, in the notes to the financial statements.</li> <li>• Certain assets within the NSW GGS are normally classified as a separate class of infrastructure systems. For example, roads, bridges, water infrastructure and distribution works, sewerage treatment plants, seawalls and water reticulation systems. Land, buildings, plant or equipment which form an integral part of these infrastructure assets are to be disclosed as part of this class of assets.</li> <li>• Surplus property, plant and equipment (not 'held for sale' in accordance with AASB 5) must be included within either 'land and buildings', 'plant and equipment' or 'infrastructure systems'. These assets do not meet the definition of 'financial assets' in the Australian Accounting Standards which only include cash, a contractual right to receive cash and a contractual right to exchange financial instruments or equity instruments. Surplus assets, however, may be disclosed as a separate sub-class within 'land and buildings', 'plant and equipment' and 'infrastructure systems' in the notes.</li> </ul>	<p><i>Note 15 – Commentary No.1</i></p> <p><i>Note 15 – Commentary No.2</i></p> <p><i>Note 15 – Commentary No.3</i></p>
<b>AASB 119 Employee Benefits</b>		
The rate used to discount post-employment benefit obligations must be determined by reference to market yields at the reporting date on high quality corporate bonds. In countries where	NSW FP entities are required to use high quality corporate bond rates for post-employment benefit obligations. FP entities should refer to the <i>Group of 100 Discount Rate Report and Discount Curve</i> as published monthly.	<i>Note 24</i>

Options / Requirements	Treasury Mandate	FRC Reference
<p>there is no deep market in such bonds, the market yields at the reporting date on government bonds must be used (para 83).</p> <p>For NFP public sector entities, post-employment benefit obligations denominated in Australian currency must be discounted using market yields on government bonds (para Aus83.1).</p>	<p>The above also applies to other long-term employee benefits.</p>	
<p>AASB 119 requires certain disclosures regarding the effect of the defined benefit plan on the entity's future cash flows, including the funding arrangements and funding policy (para.135). However, the revised Standard no longer requires the disclosure of the net defined benefit liability on a "funding basis"; i.e. using the expected rate of after-tax return on plan assets based on AASB 1056 <i>Superannuation Entities</i>.</p>	<p>Refer TC18-10. Treasury requires additional disclosures regarding the defined benefit surplus or deficit measured in accordance with AASB 1056 and other related disclosures. This information will be provided to agencies in the annual Superannuation Position Statement (i.e. provided centrally to agencies by Mercer Administration Services (Australia) Pty Ltd or the Energy Industries Superannuation Scheme (EISS), using actuarial information for the State Super Schemes and EISS).</p>	
<p>AASB 101 requires aggregation and disaggregation of financial information to provide more relevant information to the users and distinguishing current/non-current liabilities.</p>	<p>Entities must disclose the aggregate liability and the aggregate asset arising from employee benefits and related on-costs that have been recognised in the financial statements, identifying:</p> <ul style="list-style-type: none"> <li>• Current portions of employee provisions;</li> <li>• non-current portions of employee provisions; and</li> <li>• accrued wages, salaries and on-costs (from Note 22), where applicable.</li> </ul> <p>On-costs include workers compensation insurance and payroll tax.</p>	<p><i>Note 24 – Commentary No.7</i></p>
<b>AASB 120 Accounting for Government Grants and Disclosure of Government Assistance - FP entities only</b>		
<p>A government grant in the form of a non-monetary asset (e.g. land or other resource) may be accounted for at either fair value or nominal amount. (para 23)</p>	<p>Mandate that government grants of non-monetary assets are accounted for at fair value.</p>	

Options / Requirements	Treasury Mandate	FRC Reference
<p>Government grants related to assets, including non-monetary grants at fair value, must be presented in the statement of financial position either by (para 24):</p> <ul style="list-style-type: none"> <li>• Setting up the grant as deferred income; or</li> <li>• deducting the grant in arriving at the carrying amount of the asset.</li> </ul>	Mandate that government grants related to assets are presented as deferred income.	
<p>Grants related to income are either (para 29):</p> <ul style="list-style-type: none"> <li>• Presented as a credit in the statement of profit or loss; or</li> <li>• deducted in reporting the related expense.</li> </ul>	Mandate that grants related to income are presented as a credit (i.e. income) in the statement of profit or loss.	
<b>AASB 121 <i>The Effects of Changes in Foreign Exchange Rates</i></b>		
An entity may present its financial statements in any currency (para 38) i.e. presentation currency.	Mandate the use of Australian dollars.	<i>Note 1(b)</i>
<b>AASB 123 <i>Borrowing Costs</i></b>		
FP entities must capitalise borrowing costs relating to qualifying assets (para 8), while NFP public sector entities have the option to expense or capitalise (para Aus8.1).	Mandate that borrowing costs of all GGS NFP entities must be expensed, rather than capitalised, consistent with GFS. NFP PNFC entities can choose to either expense or capitalise borrowing costs. Under AASB 123 there is no option for FP entities i.e. they must capitalise borrowing costs, where directly attributable. This amends TPP06-6 <i>Accounting Policy - Guidelines for Capitalisation of Expenditure on Property, Plant and Equipment</i> which provides that both FP and NFP PNFC entities can choose to either expense or capitalise these costs.	<i>Note 2(e)</i>
<b>AASB 124 <i>Related Party Disclosures</i></b>		
For transactions with government-related entities that are collectively, but not individually, significant, entities should provide a qualitative or quantitative indication of their extent [para 26(b)].	Mandate that agencies must provide a qualitative description of transactions with government-related entities that are collectively, but not individually, significant.	<i>Note 35 – Commentary No. 10</i>



Options / Requirements	Treasury Mandate	FRC Reference
<b>AASB 128 Investments in Associates and Joint Ventures</b>		
An entity may elect not to use the equity method in accounting for its investment in an associate or joint venture where certain conditions are satisfied, in accordance with AASB 128, para 17-19 (para 16).	Mandate that the entity must use the equity method.	
<b>AASB 138 Intangible Assets</b>		
Cost model or revaluation model (fair value) (para 72).	Mandate the fair value (i.e. revaluation model) option. Note, it will be uncommon for fair value to exist, as there is unlikely to be an “active market” (although it may happen) (AASB 138, para 78). Where there is no active market, the asset shall be carried at its cost less any accumulated amortisation and impairment losses (AASB 138 para 81).	Note 17
Easements are an interest in land (e.g. transmission and pipeline easements) that may be regarded as an intangible asset (subject to AASB 138) rather than a tangible property, plant and equipment item (subject to AASB 116).	Mandate that easements be accounted for as an intangible asset (subject to AASB 138).	
<b>AASB 139 Financial Instruments: Recognition and Measurement (June 2014 Compilation version) – refer also to Treasury’s Financial Instruments Policy (applicable only for the comparative period FY17-18)</b>		
Designation as ‘fair value through profit or loss’ or ‘available-for-sale’ at initial recognition; and use of the ‘held to maturity’ category (para 9).	Refer TPP08-1 Accounting Policy - Accounting for Financial Instruments. TCorpIM Funds are designated at fair value through profit or loss [refer section 5.4 of Financial Instruments Policy (TPP 08-1)]. Under NSW TPP 08-1:  1. Apart from TCorpIM Funds facilities, an entity may only designate at ‘fair value through profit or loss’ where (refer section 5 of Financial Instruments Policy): <ul style="list-style-type: none"> <li>▪ It satisfies the fair value option criteria;</li> <li>▪ it determines it is appropriate for its operations (e.g. NSW TCorp); and</li> <li>▪ it is approved by Treasury.</li> </ul>	Notes 13 and 14

Options / Requirements	Treasury Mandate	FRC Reference
	2. an entity may only designate as 'available-for-sale' where approved by Treasury (refer section 6 of Financial Instruments Policy); 3. an entity can only use the 'held to maturity' classification where approved by Treasury (section 4 of Financial Instruments Policy).	
Regular way contracts – AASB 139 provides the option of using either trade date or settlement date accounting for purchases or sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned (para 38 and paras AG53-56).	Mandate trade date accounting; i.e. date on which the entity commits itself to purchase or sell the asset (refer AASB 139 para AG55).	<i>Notes 11, 13 and 14</i>
Hedges of firm commitments – a hedge of foreign currency risk of a firm commitment may be accounted for as either a fair value hedge or cash flow hedge (para 87).	Agencies should contact Treasury to determine the appropriate policy choice for such derivative contracts.	
Hedging – where a hedge of a forecast transaction results in recognition of a non-financial asset or liability, or a forecast transaction becomes a firm commitment for which fair value hedge accounting is applied, the entity must either reclassify gains and losses recognised in other comprehensive income to profit or loss, OR include in the initial cost of the asset or liability (para 98).	Mandate inclusion in the initial cost of an asset or liability. This reduces the record-keeping burden involved in transferring amounts progressively from equity to profit or loss.	
<b>AASB 140 Investment Property</b>		
An entity may elect to use as its accounting policy either the fair value model or the cost model (para 30).	Refer TPP14-01. Mandate fair value model.	<i>Note 1(b)</i> <i>Note 16</i>
Property interests held by a lessee under an operating lease may be classified and accounted for as investment property (para 6).	Mandate that such interests be classified as investment property.	<i>Note 16 –</i> <i>Commentary No. 2</i>

Options / Requirements	Treasury Mandate	FRC Reference
<b>AASB 1004 Contributions</b>		
AASB 1004 specifies required disclosures for restructure of administrative arrangements.	Mandate the following disclosures on equity transfers: <ul style="list-style-type: none"> <li>• Details of assets and liabilities transferred in broad categories for each transfer;</li> <li>• Reconciliation to the change in net assets from equity transfers; and</li> <li>• Comparative figures for the previous financial year for each transferred function or activity.</li> </ul>	<i>Note 26</i>
<b>AASB 1050 Administered Items</b>		
AASB 1050 specifies requirements for government departments relating to administered items.	Mandate extension of these requirements to all NSW GGS entities. Administered assets and liabilities are not recognised in the Statement of Financial Position but are required to be disclosed in the notes, showing separately each major class of asset and liability.	<i>Note 33 – Commentary No. 2</i>
	Any liability for unspent appropriations drawn down calculated in the summary of compliance that relates to transfer payments must be disclosed in the administered assets and liabilities note.	<i>Note 33 – Commentary No. 5</i>
	Administered expenses and income are not recognised in the statement of comprehensive income but are required to be disclosed in the complete set of financial statements, showing separately: <ul style="list-style-type: none"> <li>• Each major class of expense and income; and</li> <li>• in respect of each of those classes of expenses and income, the amounts that can be attributed to each of the entity's activities and the amounts that cannot be attributed.</li> </ul>	<i>Note 9 – Commentary No.9</i>
	For entities that may not be required to present program group statements, the summary of the administered expenses and income must be produced as a note.	<i>Note 9 – Commentary No.11</i>

Options / Requirements	Treasury Mandate	FRC Reference
<b>AASB 1052 Disaggregated Disclosures</b>		
AASB 1052 is applicable to government departments.	Mandate extension of program group disclosure requirements to other NSW GGS entities where program group information is included in the Budget Papers.	<i>Note 9 - Commentary No.1</i>
AASB 1052 does not have specific disclosure requirements for comparative information. AASB 101 para 38 requires, except when Australian Accounting Standards permit or require otherwise, an entity to present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements.	Where there is only one program group, details of the expenses, income, assets and liabilities are not required in the program group statements as this information is available in the financial statements.  Comparative information for the program group statements is not required in the first financial report of a new entity, or in relation to functions transferred in to an ongoing entity during the reporting period. However, certain comparative information in regard to the former entity and transferred function is required elsewhere in the notes to the financial statements as a result of TPP 09-3.	<i>Note 9 - Commentary No.6</i>  <i>Note 9 - Commentary No.14</i>
Entities should disclose financial information about service costs and achievements on an activity basis. Entities must disclose expenses and income in the statement of comprehensive income that can be attributable to each of the major service activities of the entity (para 15).	Mandate following additional disclosures:  1. Program group statements must include the same line items as the entity's statement of comprehensive income and statement of financial position.  2. Separate disclosure of each major class of expenses as identified in the program group statements. Separate disclosure is also required of user charges, government contributions and other major classes of income as identified in the program group statements.  3. All information disclosed in the program group statements must be aggregated to agree with the related information in the financial statements of the entity.  4. Where an entity is a parent entity in an economic entity which has presented consolidated financial statements as required by AASB 10 <i>Consolidated Financial Statements</i> , the program group information must only be disclosed in relation to the economic entity and must be aggregated to agree with the related information in the consolidated financial statements.	<i>Note 9 – Commentary No.1</i>  <i>Note 9 – Commentary No.2</i>  <i>Note 9 – Commentary No.4</i>  <i>Note 9 – Commentary No.5</i>

Options / Requirements	Treasury Mandate	FRC Reference
	5. Presentation of Program Group descriptions: <ul style="list-style-type: none"> <li>(a) Program Group 1 [specify name] Purpose: [specify] [Disclose details of program group transfers, where applicable]</li> <li>(b) Program Group 2 [specify name] Purpose: [specify] [Disclose details of program group transfers, where applicable]</li> <li>(c) Program Group 3 [specify name] Purpose: [specify] [Disclose details of program group transfers, where applicable]</li> </ul>	Note 9
Entities must disclose the assets deployed and liabilities incurred that are reliably attributable to their activities (para 16).	Mandate assets and liabilities that are not reliably attributable to each of the activities are disclosed in a 'Not attributable' column.	Note 9 – Commentary No.3
<b>AASB 1053 Application of Tiers of Australian Accounting Standards</b>		
Public sector entities, whether FP or NFP (other than the Australian Government, State, Territory and Local Governments and General Government Sectors of the Australian Government, State and Territory Governments) may elect to apply: <ul style="list-style-type: none"> <li>• Tier 1 (Australian Accounting Standards) reporting requirements; or</li> <li>• Tier 2 (Australian Accounting Standards – Reduced Disclosure Requirements) reporting requirements in preparing general purpose financial statements (para 13).</li> </ul>	Mandate that all NSW public sector entities must apply Tier 1 (Australian Accounting Standards) reporting requirements.	

Options / Requirements	Treasury Mandate	FRC Reference
<b>AASB 1054 Australian Additional Disclosures</b>		
An entity shall disclose in the notes the statutory basis or other reporting framework, if any, under which the financial statements are prepared [para 8(a)].	Mandate all GGS entities to state that the financial statements have been prepared in accordance with the Australian Accounting Standards (which include Australian Interpretations), <i>Public Finance and Audit Act 1983</i> and <i>Public Finance and Audit Regulation 2015</i> (the Act) and Treasurer's Directions issued under the Act.	<i>Note 1(b)</i>
<b>AASB 1055 Budgetary Reporting</b>		
Any revised budget that is presented to parliament during the reporting period may be disclosed in the financial statements in addition to the original budget (para 11).	Mandate all GGS entities not to disclose a revised budget in their financial statements. Subsequent amendments to the original budget resulting in major variances between the actual amounts and original budget must be explained in the notes to the financial statements.	<i>Commentary No. 1 on financial statements</i>
If the budgeted information is presented to parliament only at a more highly summarised level than the level of information required by Australian Accounting Standards, that entity would not be required to report the budgeted information in its financial statements (para13).	Mandate all GGS entities that have an original budgeted financial statement presented to parliament present that information in the financial statements.	<i>Commentary No.1 on financial statements</i>
The entity shall disclose explanations of major variances between the actual amounts presented in the financial statements and the corresponding original budget amounts (para 6 and 7).	Variances from the original budget may be disclosed in a tabular format, using columns to disclose the original budget amended for restructures or transfers of functions. These columns must not be referred to as a 'revised budget', however, it must be appropriately described.	<i>Commentary No.2 on financial statements; Note 29</i>
Entities for which budgeted financial information was not presented to Parliament do not need to include budgetary information specified in this Standard (para 14).	Where these entities choose to disclose budgeted financial information (as it was not required to be presented to Parliament) the entity's accounting policy and disclosures in respect of budgeted financial information must: <ul style="list-style-type: none"> <li>• State that the entity is not required to include budget information in accordance with AASB 1055;</li> <li>• describe the basis of preparation of the budgetary information presented; and</li> <li>• disclose who authorised the budget.</li> </ul>	<i>Commentary No.5 on financial statements</i>

Options / Requirements	Treasury Mandate	FRC Reference
<b>Early adoption of new or revised Accounting Standards / Interpretations</b>		
<p>Whether or not to early adopt the following Standards / Interpretations that have been issued but are not yet effective:</p> <p>AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding <i>Revenue from Contracts with Customers (Not-for-profits only)</i></p> <p>AASB 16 <i>Leases</i></p> <p>AASB 17 <i>Insurance Contracts</i></p> <p>AASB 1058 <i>Income of Not-for-profit Entities</i></p> <p>AASB 1059 <i>Service Concession Arrangements: Grantors</i></p> <p>AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i></p> <p>AASB 2017-1 <i>Amendments to Australian Accounting Standards – Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments</i></p> <p>AASB 2017-4 <i>Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments</i></p> <p>AASB2017-6 <i>Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation</i></p> <p>AASB2017-7 <i>Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures</i></p> <p>AASB 2018-1 <i>Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle</i></p>	<p>Mandate not to early adopt any of the new Standards / Interpretations.</p>	<p><i>Note 1(h)</i></p>

Options / Requirements	Treasury Mandate	FRC Reference
AASB 2018-2 <i>Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement</i>		
AASB 2018-3 <i>Amendments to Australian Accounting Standards – Reduced Disclosure Requirements</i>		
AASB 2018-4 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors</i>		
AASB 2018-5 <i>Amendments to Australian Accounting Standards - Deferral of AASB 1059</i>		
AASB 2018-6 <i>Amendments to Australian Accounting Standards – Definition of a Business</i>		
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>		
AASB 2018-8 <i>Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities</i>		
Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration (Not-for-profits only)</i>		
Interpretation 23 <i>Uncertainty over Income Tax Treatment</i>		