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

This Circular updates Treasury mandates under Australian Accounting Standards for financial years ending on or after 30 June 2021. This Circular applies to all entities that are reporting GSF agencies within the meaning of section 7.3 of the *Government Sector Finance Act 2018*, and to the accountable authorities for those reporting GSF agencies. For the avoidance of doubt, this policy does not apply to universities and their controlled entities, or to their accountable authorities. It supersedes and withdraws the previous Treasury Circular TC20-01 with the same title.

### Summary:

Agencies 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 2021.

The main changes to the mandates are the adoption of new accounting standards effective in FY 2020-21, 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 mandatory policy. Accordingly, this Circular applies to all entities that are reporting GSF agencies within the meaning of section 7.3 of the *Government Sector Finance Act 2018*, and to the accountable authorities for those reporting GSF agencies. For the avoidance of doubt, this policy does not apply to universities and their controlled entities, or to their accountable authorities.

This Circular supersedes and withdraws Treasury Circular TC20-01 *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).

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## 1. Background

Australian Accounting Standards provide certain accounting policy options. This Circular updates 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 the list of Standards issued but not yet effective and confirm that Accounting Standards generally cannot be early adopted; and
- b. Adoption of AASB 1059 *Service Concession Arrangements: Grantors*.

## 2. Application

This Circular applies to financial years ending on or after 30 June 2021. This Circular is issued as a mandatory policy. Accordingly, this Circular applies to all entities that are reporting GSF agencies within the meaning of section 7.3 of the *Government Sector Finance Act 2018*, and to the accountable authorities for those reporting GSF agencies. For the avoidance of doubt, this policy does not apply to universities and their controlled entities, or to their accountable authorities.

This Circular supersedes and withdraws TC20-01 *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 refers to the particular Treasury Circular or Policy Paper.

### 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>. GSF agencies 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 GSF agencies 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 28</p>
<b>Appropriations and Transfers to the Crown</b>		
<p>Additional disclosures to enable users to understand the impact of specific transactions.</p>	<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</li> </ul>	<p>Note 3(a)</p> <p><i>Summary of compliance with financial directives - Commentary No. 10</i></p>

Options / Requirements	Treasury Mandate	FRC Reference
	<p>disclose the following below the summary of compliance:</p> <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 Lapsed 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> <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, such remittances must be included in 'transfers to the Crown' after the line item 'appropriation' in the statement of comprehensive income.</li> <li>• Entities must separately disclose transfers to the Crown, including asset sales proceeds transferred and transfers from commercial business units. Where there is only one category of transfers to the Crown, 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 - asset sale proceeds).</li> </ul>	<p></p> <p><i>Statement of Comprehensive Income - Commentary No.10</i></p> <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 that do not meet the asset/liability recognition criteria, 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.	<i>Note 34</i>
<b>Australian Accounting Standards Board (AASB) 9 <i>Financial Instruments</i></b>		
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	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, 14 and 15</i>

Options / Requirements	Treasury Mandate	FRC Reference
the marketplace concerned (paras B3.1.3 to B3.1.6 and Appendix A).		
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 14</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> <li>• a financial liability contains one or more embedded derivatives that meet certain conditions (para 4.3.5).</li> </ul>	Agencies should obtain written approval from Treasury after documenting the reasons for such designation.	<i>Note 25</i>
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.	Designation of equity instruments at fair value through other comprehensive income is expected to be applied only in limited circumstances. Agencies should obtain written approval from Treasury after documenting the reasons for such designation.	<i>Note 14</i>
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	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.	<i>Notes 11 and 15</i>

Options / Requirements	Treasury Mandate	FRC Reference
with a significant financing component and lease receivables.		
AASB 9 para B5.5.35 allows using a provision matrix as a practical expedient for determining expected credit losses on trade receivables.	Mandate agencies to adopt this expedient. Agencies 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.	<i>Notes 11 and 15</i>
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.	Mandate agencies to adopt this operational simplification.	<i>Notes 14 and 15</i>
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.	Mandate agencies to apply the hedge accounting requirements of AASB 9.	
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 there is a choice to apply prospectively or retrospectively.	Agencies should contact Treasury to determine the appropriate policy choice for such derivative contracts.	
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</b>		
AASB 15 para 4 allows entities to apply AASB 15 to a portfolio of contracts (or performance	Agencies <b>may</b> adopt this practical expedient. Refer TC 19-07 <i>AASB 15 Revenue from Contracts with Customers</i>	

Options / Requirements	Treasury Mandate	FRC Reference
obligations) with similar characteristics if the entity reasonably expects that the effects on the financial statements of applying AASB 15 to the portfolio would not differ materially from applying it to the individual contracts (or performance obligations) within that portfolio.	and AASB 1058 <i>Income of Not-for-Profit Entities Transition Elections</i> (TC19-07).	
AASB 15 para Aus8.1 allows not-for-profit public sector entities not to apply the requirements of AASB 15 and accompanying Application Guidance to short-term licences and licences for which the transaction price is of low value.	Mandate agencies to adopt this expedient for both short-term licenses and low-value licenses: <ul style="list-style-type: none"> <li>• short-term licenses: licences that have a term of 12 months or less</li> <li>• low-value licenses: licenses for which the individual transaction price is \$10,000 or under (this excludes those licenses of which the nature is such that the licence is not typically of low value, such as casino licenses).</li> </ul> <p><b>Note</b> this expedient is not available to licences that include variable consideration (e.g. a sales-based or usage-based royalty to provide the licensor with additional revenue where the licensee makes a 'super-profit').</p> Refer to TC 19-07.	
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 adopt this expedient. Refer to TC 19-07.	
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 adopt this expedient. Refer to TC 19-07.	
AASB 15 para 121 allows entities not to disclose the aggregate amount of the transaction price	Mandate agencies adopt this expedient. Refer to TC 19-07.	

Options / Requirements	Treasury Mandate	FRC Reference
<p>allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period and an explanation of when the entity expects to recognise that amount as revenue for a performance obligation if either of the following conditions is met:</p> <p>(a) the performance obligation is part of a contract that has an original expected duration of one year or less; or</p> <p>(b) the entity recognises revenue from the satisfaction of the performance obligation in accordance with paragraph B16.</p>		
<p>AASB 15 para B16 allows entities to recognise revenue to which the entity has a right to invoice, in the amount that corresponds directly with the value to the customer of the entity's performance completed to date.</p>	<p>Agencies may adopt this expedient. Refer to TC 19-07.</p>	
<p>According to AASB 15 para B43, if a customer has a material right to acquire future goods or services and those goods or services are similar to the original goods or services in the contract and are provided in accordance with the terms of the original contract, then an entity may, as a practical alternative to estimating the stand-alone selling price of the option, allocate the transaction price to the optional goods or services by reference to the goods or services expected to be provided and the corresponding expected consideration.</p>	<p>Mandate agencies adopt this expedient. Refer to TC 19-07.</p>	
<p>AASB 15 para C7A 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> </ul>	<p>Mandate agencies adopt this expedient. Refer to TC 19-07.</p>	

Options / Requirements	Treasury Mandate	FRC Reference
<ul style="list-style-type: none"> <li>determining the transaction price; and</li> <li>allocating the transaction price to the satisfied and unsatisfied performance obligations.</li> </ul>		
<b>AASB 16 Leases</b>		
AASB 16 para 4 allows entities to not apply AASB 16 to leases of intangible assets except for those rights held by a lessee under licensing agreements as stated in para 3(e).	Mandate agencies to adopt this election. Refer TC18-05 <i>Leases – Transition Elections</i> .	<i>Note 18 – Commentary on Leases – Entity as lessee No.1</i>
AASB 16 para 5 allows entities to not apply some requirements (specifically, the requirement to create a lease liability and corresponding right-of-use asset) of AASB 16 to short term leases or low value assets.	Mandate agencies to adopt this expedient for (Refer TC18-05): <ul style="list-style-type: none"> <li>leases that meet the definition of short-term. i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.</li> <li>leases of assets that are valued at \$10,000 or under when new.</li> </ul>	<i>Note 18</i>
AASB 16 para 15 allows entities that are lessees to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.	Mandate agencies <b>not to</b> adopt this expedient. Refer TC18-05.	
AASB 16 para Aus25.1 allows not-for-profit entities that are lessees to elect to measure right-of-use assets on a class-by-class basis at initial recognition at fair value in accordance with AASB 13 <i>Fair Value Measurement</i> for leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives.	Mandate agencies <b>not to</b> adopt this election. Leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives shall be measured at cost. Refer TC 18-05.	<i>Note 18</i>
AASB 16 Aus 25.2 allows right-of-use assets arising under leases that have significantly below-market terms and conditions principally to enable a not-for-profit entity to further its objectives to be treated as a separate class of assets.	Mandate agencies <b>NOT</b> to adopt this election.  Refer TC 18-05.	<i>Note 18 Commentary on Leases – Entity as lessee No.4</i>

Options / Requirements	Treasury Mandate	FRC Reference
<p>AASB 16 para 35(b) allows entities that are lessees to elect to apply the revaluation model to all of the right-of-use assets that relate to a class of property, plant and equipment to which the lessee applies the revaluation model in AASB 116.</p> <p>AASB 16. para Aus35.1 allows not-for-profit public sector entities to measure a class of right-of-use assets at cost or at fair value if the entity applies the revaluation model to the related class of property, plant and equipment.</p>	<p>Mandate agencies to apply the cost model to all right-of-use assets, including right-of-use assets arising from concessionary leases (i.e. leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives).</p> <p>Refer TC 18-05.</p>	<p><i>Note 18</i></p>
<p>AASB 16 para 47(a) allows entities that are lessees to present right-of-use assets separately in the statement of financial position.</p>	<p>Mandate agencies to present right-of-use assets that do not meet the definition of investment property separately in the statement of financial position, i.e. as a separate financial statement line item.</p> <p>Refer TC 18-05.</p>	<p><i>Statement of Financial Position – Commentary No.10</i></p>
<p>AASB 16 para C3(a) allows an entity not to reassess whether a contract is, or contains, a lease at the date of initial application for contracts that were assessed as leases under AASB 117 <i>Leases</i> and Interpretation 4 <i>Determining whether an Arrangement contains a Lease</i>.</p>	<p>Agencies <b>may</b> adopt this expedient.</p> <p>Refer TC18-05.</p>	
<p>AASB 16 para C3(b) allows entities not to reassess whether a contract is, or contains, a lease at the date of initial application for contracts that were not previously identified as containing a lease under AASB 117 and Interpretation 4.</p>	<p>Agencies <b>may</b> adopt this expedient provided there is sufficient documentation to demonstrate for their annual audit purposes they have previously considered this leasing definition.</p> <p>For contracts where no assessment was performed at lease inception these will need be assessed under the new standard.</p> <p>Refer TC18-05.</p>	
<p>AASB 16 para C5 allows entities to apply the standard either:</p> <ul style="list-style-type: none"> <li>retrospectively to each prior reporting period</li> </ul>	<p>Mandate agencies to adopt the partial retrospective option where the cumulative effect of initially applying AASB 16 is recognised on the initial application date (1 July 2019).</p>	

Options / Requirements	Treasury Mandate	FRC Reference
<p>presented in accordance with AASB 108;</p> <ul style="list-style-type: none"> <li>retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application in accordance with paragraphs C7-C13 (partial retrospective method).</li> </ul>	<p>Refer TC18-05.</p>	
<p>AASB 16 para C8(b) requires entities which apply the partial retrospective option to recognise a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying AASB 117. The lessee shall choose, on a lease-by-lease basis, to measure that right-of-use asset at either:</p> <ul style="list-style-type: none"> <li>its carrying amount as if the Standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application; or</li> <li>an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.</li> </ul>	<p>Mandate agencies to measure right-of-use assets at the date of initial application at an amount equal to the lease liability calculated under AASB 16 para C8(a), adjusted for any prepaid or accrued lease payments, except for leases that will be subject to accelerated, rather than straight line depreciation.</p> <p>Refer TC18-05.</p> <p>For leases that will be subject to accelerated, rather than straight line depreciation, agencies <b>may</b> use the modified retrospective approach where the ROUA is calculated as if the Standard had always been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.</p> <p>For any current lease incentive liability, mandate agencies to reverse any lease liability that remains through the right-of-use asset (ROUA) that is connected to the lease incentive liability. This will mean for those leases with a lease incentive liability the ROUA will be lower than the lease liability.</p> <p>Refer FAQs – <i>AASB 16 Leases</i>.</p>	
<p>AASB 16 para C10 allows entities to apply the following expedients on a lease-by-lease basis when applying the partial retrospective method:</p> <ul style="list-style-type: none"> <li>applying a single discount rate to a portfolio of leases with reasonably similar characteristics</li> <li>rely on its assessment of whether leases are onerous under AASB 137 <i>Provisions</i>,</li> </ul>	<p>Mandate agencies to adopt these expedients.</p> <p>Refer TC18-05.</p>	

Options / Requirements	Treasury Mandate	FRC Reference
<p><i>Contingent Liabilities and Contingent Assets</i>, rather than performing a separate impairment review.</p> <ul style="list-style-type: none"> <li>accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases</li> <li>excluding initial direct costs from the measurement of the right of use asset at the date of initial application</li> <li>applying hindsight in determining the lease term where the contract contains options to extend or terminate the lease.</li> </ul>		
<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.</p> <p>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.</p> <p>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</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>

Options / Requirements	Treasury Mandate	FRC Reference
(para 99).		
<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> <li>• nature and amount of major categories of grant and subsidy expenses;</li> <li>• investment revenue [including interest income from financial assets at amortised cost, from financial assets at fair value through other comprehensive income and from statutory receivables, finance income on the net investment in the lease, gains/ (losses) from TCorpIM Funds measured at fair value through profit or loss, rental income, dividends and royalties];</li> <li>• revenue from retained taxes, fees and fines;</li> <li>• acceptance by the Crown: 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</p>	<p><i>Note 2(a)(b)(d)</i> <i>Note 3(d)(e)(g)(h)</i> <i>Note 4</i></p>



Options / Requirements	Treasury Mandate	FRC Reference
	<ul style="list-style-type: none"> <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, lease liabilities, service concession financial liabilities, 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 services liabilities for entities receiving personnel services per TC 15-07);</li> <li>• other liabilities, separately disclosing liability for lapsed appropriations drawn down, unearned revenue and any major categories of other liabilities.</li> </ul>	<p><i>Note 24</i></p> <p><i>Note 25</i></p> <p><i>Note 26</i></p> <p><i>Note 27</i></p>
<b>AASB 107 Statement of Cash Flows</b>		
<p>Cash flows from operating activities must be reported using either the (para 18):</p> <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>
<p>The Standard allows certain cash flows to be reported on a net basis, in limited circumstances (para 22-24) i.e:</p> <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>	<p>Mandate that relevant cash flows must be reported net, in the limited circumstances referred to in paras 22-24.</p> <p>Cash flows must be reported gross in all other circumstances (para 18 and 21).</p>	<i>Statement of Cash Flows – Commentary No. 1</i>

Options / Requirements	Treasury Mandate	FRC Reference
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 – Commentary No. 1</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 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).	Mandate short-term deposits with a maturity of three months or less to be classified as cash and cash equivalents.	<i>Note 10 – Commentary No.3</i>
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 – Commentary No. 2</i>  <i>Note 10 – Commentary No. 6</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 16</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</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 16</i>



Options / Requirements	Treasury Mandate	FRC Reference
	<p>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.</p>	
<b>AASB 119 Employee Benefits</b>		
<p>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 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>NSW FP entities are required to use high quality corporate bond rates for post-employment benefit obligations.</p> <p>FP entities should refer to the <i>Group of 100 Discount Rate Report and Discount Curve</i> as published monthly.</p> <p>The above also applies to other long-term employee benefits.</p>	<p><i>Note 26 – Commentary No.14</i></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 24), where</li> </ul>	<p><i>Note 26 – Commentary No.7</i></p>

Options / Requirements	Treasury Mandate	FRC Reference
	applicable. On-costs include workers compensation insurance and payroll tax.	
<b>AASB 120 Accounting for Government Grants and Disclosure of Government Assistance - FP entities only</b>		
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)	Mandate that government grants of non-monetary assets are accounted for at fair value.	
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): <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.	
Grants related to income are either (para 29): <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 The Effects of Changes in Foreign Exchange Rates</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 Borrowing Costs</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) – Commentary No.3</i>
<b>AASB 124 Related Party Disclosures</b>		

Options / Requirements	Treasury Mandate	FRC Reference
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 37 – Commentary No.10</i>
<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).	<i>Note 19 – Commentary No.1</i>
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 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) Note 17 – Commentary No.1</i>
<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> </ul>	<i>Note 28</i>

Options / Requirements	Treasury Mandate	FRC Reference
	<ul style="list-style-type: none"> <li>Comparative figures for the previous financial year for each transferred function or activity.</li> </ul>	
<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 35 – Commentary No. 2</i>
	Any liability for lapsed 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 35 – 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 on Program Group Statements 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 on Program Group Statements No.11</i>
<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 on Program Group Descriptions No.1</i>
	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.	<i>Note 9 - Commentary on Program Group Statements No.6</i>
AASB 1052 does not have specific disclosure	Comparative information for the program group statements is not	

Options / Requirements	Treasury Mandate	FRC Reference
<p>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.</p>	<p>required in the first financial report of a new entity, or in relation to functions transferred into 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.</p>	<p><i>Note 9 - Commentary on Program Group Statements No.14</i></p>
<p>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).</p>	<p>Mandate following additional disclosures:</p> <ol style="list-style-type: none"> <li>1. Program group statements must include the same line items as the entity's statement of comprehensive income and statement of financial position.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ol>	<p><i>Note 9 – Commentary on Program Group Statements No.1</i></p> <p><i>Note 9 – Commentary on Program Group Statements No.2</i></p> <p><i>Note 9 – Commentary on Program Group Statements No.4</i></p> <p><i>Note 9 – Commentary on Program Group Statements No.5</i></p>
	<ol style="list-style-type: none"> <li>5. Presentation of Program Group descriptions: <ol 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</li> </ol> </li> </ol>	<p><i>Note 9</i></p>

Options / Requirements	Treasury Mandate	FRC Reference
	applicable] (c) Program Group 3 [specify name] Purpose: [specify] [Disclose details of program group transfers, where applicable].	
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.	<i>Note 9 –            Commentary on Program            Group Statements No.3</i>
<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 GSF agencies must apply Tier 1 (Australian Accounting Standards) reporting requirements.	
<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>Government Sector Finance Act 2018</i> (GSF 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 do not 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>

Options / Requirements	Treasury Mandate	FRC Reference
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 31</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>
<b>AASB 1058 Income of Not-for-profit Entities</b>		
AASB 1058 para 18 mandates that local governments, government departments, general government sectors (GGSs) and whole of governments shall recognise an inflow of resources in the form of volunteer services as an asset (or an expense, when the definition of an asset is not met) if both of the following conditions are met: (a) the fair value of those services can be measured reliably; and (b) the services would have been purchased if they had not been donated. AASB 1058 para 19 allows any not-for-profit entity (including those listed in para 18), as an accounting	<b>Government departments, GGSs and whole of governments</b> must not adopt the option in AASB 1058 para 19 to recognise volunteer services that can be reliably measured, but would not have been purchased if they had not been donated. <b>NSW agencies that are not government departments:</b> <ul style="list-style-type: none"> <li>• must not adopt the option in AASB 1058 para 19 to recognise volunteer services that can be reliably measured, but would not have been purchased if they had not been donated</li> <li>• may elect under AASB 1058 para 19 for their standalone financial statements to recognise volunteer services that can be reliably measured, but only where the volunteer services would have been purchased if they had not been donated. i.e.</li> </ul>	<i>Note 3(f)</i>

Options / Requirements	Treasury Mandate	FRC Reference
<p>policy choice, to elect to recognise volunteer services, or a class of volunteer services, if the fair value of those services can be measured reliably, whether or not the services would have been purchased if they had not been donated.</p>	<p>where volunteer services meet both conditions in AASB 1058 para 18</p> <ul style="list-style-type: none"> <li>• must recognise volunteer services in their PRIME returns, where volunteer services can be reliably measured and the volunteer services would have been purchased if they had not been donated (i.e. where volunteer services meet both conditions in AASB 1058 para 18). However, this requirement is waived where the total volunteer services that meet both conditions in AASB 1058 para 18 are less than \$5 million (subject to requirement below for agencies controlled by a department).</li> <li>• Agencies that are controlled by a department in accordance with AASB 10 Consolidated Financial Statements must agree in writing whether they need to report to that department, for the purposes of its consolidated financial report, volunteer services that can be reliably measured and the volunteer services would have been purchased if they had not been donated.</li> </ul>	
<p>AASB 1058 para C6 allows the practical expedient to not restate completed contracts that are completed contracts at the initial application date.</p>	<p>Mandate agencies <b>not to</b> adopt this expedient.</p>	
<p>Assets acquired for consideration that was significantly less than fair value principally to enable the entity to further its objectives may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value.</p> <p>AASB 1058 para C8 allows the practical expedient not to remeasure such assets at fair value.</p>	<p>Mandate agencies to adopt this expedient.</p>	
<b>AASB 1059 Service Concession Arrangements: Grantors</b>		
<p>On transition to the new standard, AASB 1059 para C3 allows entities to initially apply the standard either:</p> <ul style="list-style-type: none"> <li>• retrospectively to each prior period presented</li> </ul>	<p>Mandate agencies adopt the modified retrospective option by recognising and measuring service concession assets and related liabilities at the date of initial application.</p> <p>The date of initial application is the beginning of the earliest</p>	<p><i>Note 1(h)</i></p>

Options / Requirements	Treasury Mandate	FRC Reference
<p>in accordance with AASB 108 (full retrospective method); or</p> <ul style="list-style-type: none"> <li>retrospectively by recognising and measuring service concession assets and related liabilities at the date of initial application (modified retrospective method).</li> </ul>	<p>reporting period for which comparative information is presented in the financial statements. For financial years ending 30 June, the date of initial application is therefore 1 July 2019, being the beginning of the comparative period in financial reports prepared for FY2020/21.</p> <p>In applying this transition option, agencies must comply with AASB 1059.C4-C7.</p> <p>Refer to TC20-03.</p>	
<b>Public private partnerships</b>		
<p>Prior to the issuance of AASB 1059, there was no mandatorily applicable Australian Accounting Standard on Privately Financed Projects (PFPs). Therefore, Treasury's policy on Accounting for PFPs applied. TPP 06-08 has been withdrawn effective 1 July 2020.</p>	<p>Following the withdrawal of TPP 06-8, agencies must:</p> <ul style="list-style-type: none"> <li>assess all arrangements previously accounted for under the policy to determine whether they fall within scope of the new Australian Accounting Standard, AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) or should be accounted for under another applicable standard.</li> <li>disclose the impact of TPP 06-08 being withdrawn, where the arrangement was previously accounted for under TPP 06-08 and is not in scope of AASB 1059.</li> </ul> <p>Refer to TC20-07 and additional guidance.</p>	<i>Note 1(h)</i>
<b>Service Concession Arrangements: Public Sector Operators</b>		
<p>There is no accounting requirements or guidance applicable to public sector operators in a service concession arrangement.</p> <p>AASB 1059 applies to public sector grantors only. AASB Interpretation 12 Service Concession Arrangements (Interpretation 12) specifically prescribes the accounting for private sector operators in a service concession arrangements.</p>	<p>Mandate agencies that are operators in a service concession arrangement apply Interpretation 12, unless the arrangement is within the scope of another applicable accounting standard.</p> <p>Refer to TC20-04.</p>	
<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>Mandate agencies not to early adopt any of the new Standards / Interpretations.</p>	<i>Note 1(h)(ii)</i>

Options / Requirements	Treasury Mandate	FRC Reference
<p>AASB 17 <i>Insurance Contracts</i></p> <p>AASB 1060 <i>General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities</i></p> <p>AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i></p> <p>AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments</i></p> <p>AASB 2020-5 <i>Amendments to Australian Accounting Standards – Insurance Contracts</i></p> <p>AASB 2020-6 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i></p> <p>AASB 2020-7 <i>Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures</i></p> <p>AASB 2020-8 <i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2</i></p>		