NSW Treasury

TPG 24-06 Policy and Guidelines: Mandates of options and major policy decisions under Australian Accounting Standards

TPG24-06

11 March 2024

Acknowledgement of Country

We acknowledge that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and the oldest continuing culture in human history.

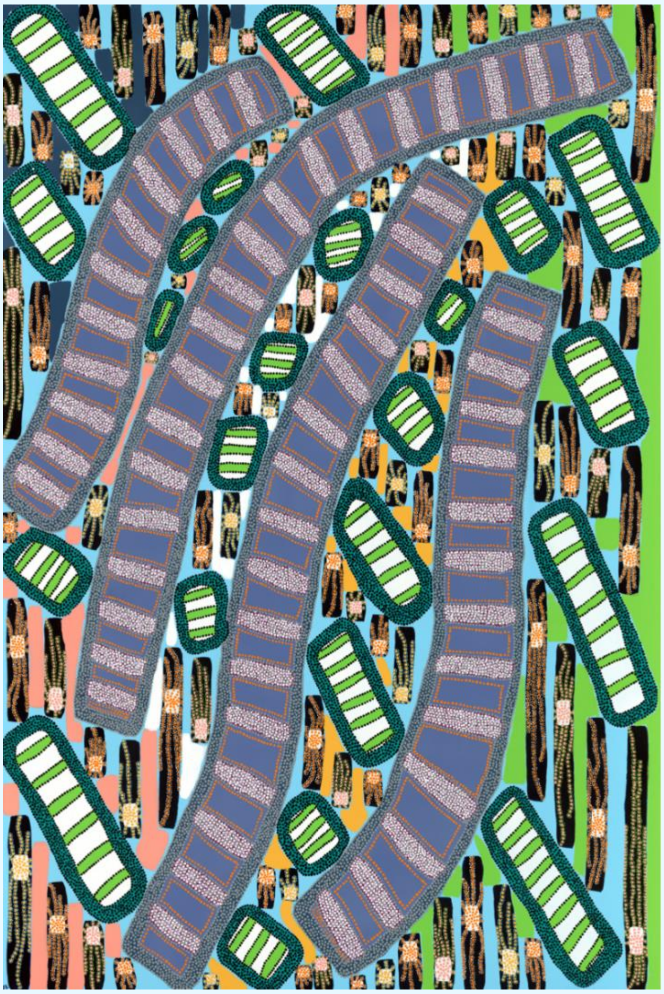
We pay respect to Elders past and present and commit to respecting the lands we walk on, and the communities we walk with.

We celebrate the deep and enduring connection of Aboriginal and Torres Strait Islander peoples to Country and acknowledge their continuing custodianship of the land, seas and sky.

We acknowledge the ongoing stewardship of Aboriginal and Torres Strait Islander peoples, and the important contribution they make to our communities and economies.

We reflect on the continuing impact of government policies and practices, and recognise our responsibility to work together with and for Aboriginal and Torres Strait Islander peoples, families and communities, towards improved economic, social and cultural outcomes.

Artwork:
Regeneration by Josie Rose



Key information	
Treasury Policy and Guidelines (TPG) is relevant to?	☒ GSF Agencies ☐ General Government Sector ☐ Public non-financial corporation ☐ Public financial corporation ☐ State Owned Corporations ☐ Other
	☒ Executive agencies related to Departments
	☒ Subsidiaries of the NSW Government established under the Corporations Act 2001
Date issued	11 March 2024
Review date	11 March 2029
☒ **Replaces** ☐ **Replaced by**	TPG 23-04 Mandates of Options and Major Policy Decisions under Australian Accounting Standards
Issuing/Publishing entity	NSW Treasury
Related instrument(s)	TPG 24-05 Financial Reporting Code for NSW General Government Sector Entities
Document approver	Andy Hobbs, Executive Director Financial Reporting & Public Stewardship
Contact	Accounting Policy, NSW Treasury accpol@treasury.nsw.gov.au
Document contains	
☒ **MANDATORY POLICY** compliance set out by NSW Treasury.	
☐ **RECOMMENDED POLICY** reflecting best practice standards.	
☐ **GUIDANCE/ADDITIONAL INFORMATION** to provide clarity or explain requirements in detail.	

Revision history				
Document version number	Approval Date	Author	Approver	Description

Mandates of options and major policy decisions under Australian Accounting Standards

Purpose

Australian Accounting Standards provide certain accounting policy options. This TPG updates the mandates of accounting policy options and major policy decisions for recent amendments to Australian Accounting Standards and Treasury requirements.

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

Overview

This TPG applies to financial years ending on or after 30 June 2024. This TPG is issued as a mandatory policy. Accordingly, this TPG applies to GSF entities required to prepare general purpose financial statements under section 7.6 of the Government Sector Finance Act 2018 (GSF Act). This TPG does not apply to universities and their controlled entities.

This TPG supersedes and withdraws TPG23-04 Mandates of Options and Major Policy Decisions under Australian Accounting Standards.

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

Related legal obligations

This TPG applies to entities required to prepare general purpose financial statements under section 7.6 of the GSF Act and is issued in conjunction with requirements relating to the preparation of those financial statements under Division 7.2 of the GSF Act.

Summary of Requirements

Mandatory
• The entirety of the content in this policy is mandatory

Mandates of options and major policy decisions under Australian Accounting Standards

Options / Requirements	Treasury Mandate	*FRC Reference*
For-profit (FP) / not-for-profit (NFP) entity classification		
The FP / NFP classification is used across a number of Standards. More significant impacts occur in the areas of impairment and grants.	Refer TPP21-07 *Distinguishing For-Profit from Not-For-Profit Entities*. GSF agencies must consider the following factors when deciding whether to classify an entity as FP or NFP, for general purpose financial statement purposes: • Statements by owners about the objectives of the entity, such as statements contained in legislation, regulations, entity constitutions and shareholder resolutions; • the governance framework applied to the entity; i.e. the corporate structure adopted and the formal relationship with owners; • the purpose, nature and extent of funding from owners, focusing on the extent to which ongoing budget support is provided to an entity; • 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; • the classification of the entity under Government Finance Statistics (GFS).	*Note 1(a)*
Reserve accounting		
Legislation or Australian Accounting Standards may require agencies to create and recognise reserve accounts in their annual financial statements.	All GSF agencies must not create and recognise reserve accounts in their annual financial statements unless required by specific legislation or Australian Accounting Standards.	*Statement of Changes in Equity* *Note 28*
Appropriations and Transfers to the Crown		
Additional disclosures to enable users to understand the impact of specific transactions.	• If an entity receives an equity appropriation this must also be disclosed in the summary of compliance as part of the appropriation. • Lead department and special offices receiving direct appropriation must additionally disclose the following below the summary of compliance:	*Note 3(a)* *Commentary on summary of compliance and movement of*

Options / Requirements	Treasury Mandate	*FRC Reference*
	A statement that the summary is based on the assumption that annual appropriations monies are spent first, unless otherwise identified or prescribed.	*deemed appropriations with financial directives*
	• 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.	*Note 3(b)*
	• 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).	*Note 3(b)*
Trust Funds		
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.	*Note 34*
Australian Accounting Standards Board (AASB) 9 *Financial Instruments*		
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).	*Notes 11, 14 and 15*
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 must obtain written approval from Treasury after documenting the reasons for such designation.	*Note 14*

Options / Requirements	**Treasury Mandate**	***FRC Reference***
Irrevocable designation of financial liabilities at fair value through profit or loss is permitted when either (para 4.2.2): • It eliminates or significantly reduces an accounting mismatch; • a group of financial liabilities or financial assets and financial liabilities is managed, and its performance is evaluated on a fair value basis; *or* • a financial liability contains one or more embedded derivatives that meet certain conditions (para 4.3.5).	Agencies must obtain written approval from Treasury after documenting the reasons for such designation.	*Note 25*
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 must obtain written approval from Treasury after documenting the reasons for such designation.	*Note 14*
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.	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.	*Notes 11 and 15*
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.	*Notes 11 and 15*
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.	*Notes 14 and 15*
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)]	Agencies must contact Treasury to determine the appropriate policy choice for such derivative contracts.	

Options / Requirements	Treasury Mandate	*FRC Reference*
where 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 must contact Treasury to determine the appropriate policy choice for such derivative contracts.	
AASB 10 *Consolidated Financial Statements*		
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.	*Note 1 – Commentary No.4*
AASB 15 *Revenue from Contracts with Customers*		
AASB 15 para 4 allows entities to apply AASB 15 to a portfolio of contracts (or performance 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.	Agencies **may** adopt this practical expedient. Refer TC 19-07 *AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities Transition Elections* (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: • short-term licenses: licences that have a term of 12 months or less • 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). **Note** 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'). 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	Mandate agencies adopt this expedient. Refer to TC 19-07.	

Options / Requirements	Treasury Mandate	*FRC Reference*
amortisation period of the asset that the entity would otherwise recognise is one year or less.		
AASB 15 para 121 allows entities not to disclose the aggregate amount of the transaction price 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: (a) the performance obligation is part of a contract that has an original expected duration of one year or less; or (b) the entity recognises revenue from the satisfaction of the performance obligation in accordance with paragraph B16.	Mandate agencies adopt this expedient. Refer to TC 19-07.	
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.	Agencies may adopt this expedient. Refer to TC 19-07.	
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.	Mandate agencies adopt this expedient. Refer to TC 19-07.	
AASB 16 *Leases*		
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 *Leases – Transition Elections*.	*Note 18 – Commentary on Leases – Entity as lessee No.1*
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): • 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.	*Note 18*

Options / Requirements	Treasury Mandate	*FRC Reference*
	• leases of assets that are valued at $10,000 or under when new.	
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 **not to** 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 *Fair Value Measurement* for leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives.	Mandate agencies **not to** 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.	*Note 18*
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 **not to** adopt this election. Refer TC 18-05.	*Note 18 Commentary on Leases – Entity as lessee No.4*
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. 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.	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). Refer TC 18-05.	*Note 18*
AASB 16 para 47(a) allows entities that are lessees to present right-of-use assets separately in the statement of financial position.	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. Refer TC 18-05.	*Statement of Financial Position – Commentary No.6*
AASB 101 *Presentation of Financial Statements*		
AASB 101 para 10A allows either: • The presentation of a single statement of profit or loss and other comprehensive income (statement of comprehensive income); or	Mandate a single statement of comprehensive income for all General Government Sector (GGS) entities, consistent with GFS.	*Statement of Comprehensive Income – Commentary No. 3*

Options / Requirements	**Treasury Mandate**	***FRC Reference***
• 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).	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).	
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).	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.	*Statement of Changes in Equity – Commentary No. 2*
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).	Mandate that expenses be presented on the basis of their nature.	*Statement of Comprehensive Income – Commentary No. 7* *Note 2*
When items of income or expense are material, an entity shall disclose their nature and amount separately (para 97).	Mandate the following transactions, if material, be disclosed separately: • 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; • auditor's remuneration, cost of sales, costs of inventories held for distribution, expense relating to short-term leases, expense relating to leases of low-value assets, variable lease payments not included in lease liabilities, maintenance, insurance, consultants, other contractors, research and development and other major categories of operating expenses; • nature and amount of major categories of grant and subsidy expenses; • 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]; • revenue from retained taxes, fees and fines; • acceptance by the Crown: superannuation – defined benefit, long service leave provision, borrowings and other major categories; • major categories of other revenue, including forgiveness of liabilities and fee income;	*Note 2(a)(b)(d)* *Note 3(d)(e)(g)(h)* *Note 4*

Options / Requirements	**Treasury Mandate**	***FRC Reference***
	• gains or losses on disposal of each category of financial instruments. 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 *Guidelines for Capitalisation of Expenditure on Property, Plant and Equipment* (TPP06-6) to require the total maintenance expense to be dissected into personnel services related maintenance and other maintenance.	
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).	• Mandate NSW GGS entities to adopt the current / non-current presentation.	*Statement of financial position – Commentary No. 1*
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.	*Statement of financial position – Commentary No. 4*
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: • Receivables, distinguishing between sale of goods and services from contracts with customers, 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);	*Note 11*
	• financial assets at fair value, separately disclosing derivatives, TCorpIM Funds (other than the TCorpIM Cash Fund which is included as 'cash assets'), shares and other major categories. The TCorpIM Funds investment facilities that are normally part of the 'financial assets at fair value' category include the Short Term Income Fund, Medium Term Growth Fund and Long Term Growth Fund;	*Note 14*
	• 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;	*Note 15*
	• major categories of other assets;	*Note 20*
	• 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);	*Note 24*

Options / Requirements	**Treasury Mandate**	***FRC Reference***
	• 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);	*Note 25*
	• 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); • other liabilities, separately disclosing unearned revenue and any major categories of other liabilities.	*Note 26* *Note 27*
AASB 107 *Statement of Cash Flows*		
Cash flows from operating activities must be reported using either the (para 18): • Direct method; or • indirect method.	Mandate the direct method.	*Statement of Cash Flows – Commentary No. 1*
The Standard allows certain cash flows to be reported on a net basis, in limited circumstances (para 22-24) i.e: • 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 • cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short.	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).	*Statement of Cash Flows – Commentary No. 1*
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.	*Statement of Cash Flows – Commentary No. 1*
Dividends paid may be classified as (para 34): • A financing cash flow; or • a cash flow from operating activities.	Mandate dividends paid as a financing cash flow.	*Statement of Cash Flows – Commentary No. 1*
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,	Mandate short-term deposits with a maturity of three months or less to be classified as cash and cash equivalents.	*Note 10 – Commentary No.3*

Options / Requirements	**Treasury Mandate**	***FRC Reference***
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).		
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.	*Statement of Cash Flows – Commentary No. 2* *Note 10 – Commentary No. 6*
AASB 116 *Property, Plant and Equipment (PP&E)*		
Cost model or revaluation model (fair value) (para 29).	Refer TD21-05 and TPP21-09. Mandate the fair value (i.e. revaluation model) option.	*Note 16*
Gross or net restatement option (para 35) i.e. where PP&E is revalued, any accumulated depreciation is treated in one of two ways: • 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); • eliminated against the gross carrying amount of the asset and the net carrying amount restated to the revalued amount of the asset (net restatement).	TD21-05 and TPP21-09 mandate use of: • Gross restatement where an asset is revalued using the cost approach; • net restatement where an asset is revalued using the income approach or market approach.	*Note 16*
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 TPP21-09 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. For NFP entities asset revaluation increments and decrements are offset for classes of assets (para Aus39.1, Aus40.1 and Aus40.2).	*Note 16*
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'.	*Note 2(a)* *– Commentary No. 4*

Options / Requirements	Treasury Mandate	*FRC Reference*
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).	• Mandate separate disclosure of classes used in the Report on State Finances: 'land and buildings', 'plant and equipment', 'infrastructure systems'. • 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. • 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.	*Note 16 – Commentary No.1Not*
		Note 16 – Commentary No.3
		Note 16 – Commentary No.4
AASB 119 *Employee Benefits*		
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). 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).	NSW FP entities are required to use high quality corporate bond rates for post-employment benefit obligations. FP entities must refer to the *Group of 100 Discount Rate Report and Discount Curve* as published monthly. The above also applies to other long-term employee benefits.	*Note 26 – Commentary No.14*
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 *Superannuation Entities*.	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).	

Options / Requirements	Treasury Mandate	*FRC Reference*
AASB 101 requires aggregation and disaggregation of financial information to provide more relevant information to the users and distinguishing current/non-current liabilities.	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: • Current portions of employee provisions; • non-current portions of employee provisions; and • accrued wages, salaries and on-costs (from Note 24), where applicable. On-costs include workers compensation insurance and payroll tax.	*Note 26 – Commentary No.7*
AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance - FP entities only*		
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): • Setting up the grant as deferred income; or • deducting the grant in arriving at the carrying amount of the asset.	Mandate that government grants related to assets are presented as deferred income.	
Grants related to income are either (para 29): • Presented as a credit in the statement of profit or loss; or • deducted in reporting the related expense.	Mandate that grants related to income are presented as a credit (i.e. income) in the statement of profit or loss.	
AASB 121 *The Effects of Changes in Foreign Exchange Rates*		
An entity may present its financial statements in any currency (para 38) i.e. presentation currency.	Mandate the use of Australian dollars.	*Note 1(b)*
AASB 123 *Borrowing Costs*		
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 TPP06-06 *Accounting Policy - Guidelines for Capitalisation of Expenditure on Property, Plant and Equipment* which provides that both FP and NFP PNFC entities can choose to either expense or capitalise these costs.	*Note 2(e) – Commentary No.3*
AASB 124 *Related Party Disclosures*		

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.	*Note 37 – Commentary No.10*
AASB 128 *Investments in Associates and Joint Ventures*		
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.	
AASB 138 *Intangible Assets*		
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 19 – Commentary No.1*
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).	
AASB 140 *Investment Property*		
An entity may elect to use as its accounting policy either the fair value model or the cost model (para 30).	Refer TPP21-09. Mandate fair value model.	*Note 1(b)* *Note 17 – Commentary No.2*
AASB 1004 *Contributions*		
AASB 1004 specifies required disclosures for restructure of administrative arrangements.	Mandate the following disclosures on equity transfers: • Details of assets and liabilities transferred in broad categories for each transfer; • Reconciliation to the change in net assets from equity transfers; and • Comparative figures for the previous financial year for each transferred function or activity.	*Note 28 – Commentary No.6*
AASB 1050 *Administered Items*		

Options / Requirements	**Treasury Mandate**	***FRC Reference***
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.	*Note 35 –* *Commentary No. 2*
	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: • Each major class of expense and income; and • 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.	*Note 9 –* *Commentary on State Outcome Group Statements No.9*
	For entities that may not be required to present state outcome group statements, the summary of the administered expenses and income must be produced as a note.	*Note 9* *Commentary on State Outcome Group Statements No.11*
AASB 1052 *Disaggregated Disclosures*		
AASB 1052 is applicable to government departments.	Only government departments are required to prepare disaggregated disclosure statements. For the purpose of this requirement, the definition of a government department is taken from AAS 29 *Financial Reporting by Government Departments* AAS 29). This is because the requirements of AAS 29 were carried into AASB 1052 substantially unchanged. A Government Department means a government controlled entity, created pursuant to administrative arrangements or otherwise designated as a government department by the government which controls it [AAS 29.17.1]. Government corporations, statutory authorities and other entities created other than by administrative arrangements are not government departments unless designated as such by the government which controls them [AAS 29.17.2].	*Note 9 -* *Commentary on Major Activity Group Descriptions No.1*
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.	Comparative information for the disaggregated disclosure statements is not 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 21-08.	*Note 9 -* *Commentary on Disaggregated Disclosure Statements No.14*

Options / Requirements	**Treasury Mandate**	***FRC Reference***
Government departments should disclose financial information about each major activity. Government departments must disclose expenses and income in the statement of comprehensive income that can be attributable to each of the major service activities of the department (para 15).	For Government departments that had disaggregated information presented in the 2022-23 Budget by state outcomes: 1. Departments should present disaggregated disclosures for FY 2023-24 and comparatives using the 2022-23 using state outcomes as the basis of disaggregation. Comparatives should have been presented on state outcome basis in prior year, so these should not need to be revised. 2. Departments must rename the state outcomes to a functional description. The 2022-23 state outcome name must not be used for either the current or comparative year disclosures. For Government departments that did not have disaggregated information presented by state outcomes in the 2022-23 Budget: 1. Departments should present disaggregated disclosures using an alternate basis that reflects the major activities of the department.	*Note 9 - Commentary on Major Activity Group Descriptions No.1*
	Mandate following additional disclosures: 1. Disaggregated Disclosure statements must include the same line items as the department’s statement of comprehensive income and statement of financial position.	*Note 9 – Commentary on Disaggregated Disclosure Statements No.1*
	2. Separate disclosure of each major class of expenses as identified in the disaggregated disclosure statements. Separate disclosure is also required of user charges, government contributions and other major classes of income as identified in the disaggregated disclosure statements.	*Note 9 – Commentary on Disaggregated Disclosure Statements No.2*
	3. All information disclosed in the disaggregated disclosure statements must be aggregated to agree with the related information in the financial statements of the entity.	*Note 9 – Commentary on Disaggregated Disclosure Statements No.4*
	4. Where a department is a parent entity in an economic entity which has presented consolidated financial statements as required by AASB 10 *Consolidated Financial Statements*, the disaggregated disclosure 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.	*Note 9 – Commentary on Disaggregated Disclosure Statements No.5*
	5. Presentation of Major Activity Group descriptions: (a) Major Activity Group 1 [specify name] Purpose: [specify]	*Note 9*

Options / Requirements	Treasury Mandate	*FRC Reference*
	[Disclose details of outcome group transfers, where applicable] (b) Major Activity Group 2 [specify name] Purpose: [specify] [Disclose details of outcome group transfers, where applicable] (c) Major Activity Group 3 [specify name] Purpose: [specify] [Disclose details of outcome group transfers, where applicable].	
Government departments 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 on Disaggregated Disclosure Statements No.3*
AASB 1053 *Application of Tiers of Australian Accounting Standards*		
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: • Tier 1 (Australian Accounting Standards) reporting requirements; or • Tier 2 (Australian Accounting Standards – Reduced Disclosure Requirements) reporting requirements in preparing general purpose financial statements (para 13).	Mandate that all GSF agencies must apply Tier 1 (Australian Accounting Standards) reporting requirements.	
AASB 1054 *Australian Additional Disclosures*		
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), *Government Sector Finance Act 2018* (GSF Act) and Treasurer's Directions issued under the Act.	*Note 1(b)*
AASB 1055 *Budgetary Reporting*		
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.	*Commentary No.1 on financial statements*
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	Mandate all GGS entities that have an original budgeted financial statement presented to parliament present that information in the financial statements.	*Commentary No.1 on financial statements*

Options / Requirements	Treasury Mandate	*FRC Reference*
not be required to report the budgeted information in its financial statements (para13).		
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.	*Commentary No.2 on financial statements;* *Note 31*
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: • State that the entity is not required to include budget information in accordance with AASB 1055; • describe the basis of preparation of the budgetary information presented; and • disclose who authorised the budget.	*Commentary No.5 on financial statements*
AASB 1058 *Income of Not-for-profit Entities*		
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 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.	**Government departments, GGSs and whole of governments** 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. **NSW agencies that are not government departments**: • 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 • 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. where volunteer services meet both conditions in AASB 1058 para 18 • 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 para18 are less than $5 million (subject to requirement below for agencies controlled by a department). • Agencies that are controlled by a department in accordance with AASB 10 Consolidated Financial Statements must agree in writing whether they need	*Note 3(f) Commentary No. 14-17*

Options / Requirements	Treasury Mandate	*FRC Reference*
	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.	
Service Concession Arrangements: Public Sector Operators		
There is no accounting requirements or guidance applicable to public sector operators in a service concession arrangement. 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.	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. Refer to TC20-04.	
Early adoption of new or revised Accounting Standards / Interpretations		
Whether or not to early adopt the following Standards / Interpretations that have been issued but are not yet effective: AASB 17 *Insurance Contracts* AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between Investor and its Associate or Joint Venture* AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* AASB 2021-7c *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements*	Mandate agencies not to early adopt any of the new Standards / Interpretations.	*Note 1(h)(ii)*

Options / Requirements	Treasury Mandate	***FRC Reference***
AASB 2023-3 *Amendments to Australian Accounting Standards – Disclosure of Non-current Liabilities with Covenants: Tier 2* AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability*		

52 Martin Place
Sydney NSW 2000

GPO Box 5469
Sydney NSW 2001

W: treasury.nsw.gov.au