



# 2024-25 Model Report for Victorian Government Departments

Part three

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Guidance and appendices



# GUIDANCE

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<b>Guidance</b>	<b>1</b>
General and specific disclosure requirements, including presentation requirements	



# GUIDANCE: GENERAL AND SPECIFIC DISCLOSURE REQUIREMENTS, INCLUDING PRESENTATION REQUIREMENTS

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## Requirements that apply to all aspects of the preparation of financial statements

This guidance section highlights those requirements that all agencies need to adhere to in preparing financial statements.

**Consistency:** The presentation and classification of items in the financial statements shall be retained from one period to the next unless either:

- it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in AASB 108
- an AAS requires a change in presentation. [AASB 101.45]

**Materiality and aggregation:** Each material class of similar items shall be presented separately in the financial statements. Items of a similar nature or function shall be presented separately unless they are immaterial. [AASB 101.29]

An agency must assess and make judgements to determine if an item is material. As a general guide, financial information will be considered material if their omission, misstatement or non-disclosure has the potential, individually or collectively, to:

- influence the economic decisions that users make on the basis of the financial statements
- affect the discharge of accountability by management or governing body of the entity.

Items that are immaterial both individually and in aggregate may be combined and presented as a single line item. However, the value of such line item is unlikely to exceed 10 per cent of the total value of the financial statement component that it forms part of.

**Offsetting:** Income, expenses, assets and liabilities shall not be offset unless required by an AAS or permitted by an FRD. [AASB 101.32]

For financial instruments, a financial asset and a financial liability shall be offset and the net amount presented in the balance sheet only when an entity:

- currently has a legally enforceable right to set off the recognised amounts
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability. [AASB 132.42]

**Comparative information** shall be disclosed in respect of the previous period for all amounts reported in the complete set of financial statements unless an AAS permits otherwise. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's complete set of financial statements. [AASB 101.38]

**Reclassification of financial information:** When the presentation or classification of items in the complete set of financial statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose:

- the nature of the reclassification
- the amount of each item or class of items that is reclassified
- the reason for the reclassification. [AASB 101.41]

When it is impracticable to reclassify comparative amounts, an entity shall disclose:

- the reason for not reclassifying the amounts
- the nature of the adjustments that would have been made if the amounts had been reclassified. [AASB 101.42]

**Goods and Services Tax (GST):** AASB Interpretation 1031 provides that revenue, expenses and assets must be recognised, net of the amount of GST, except where GST relating to the expenditure items is not recoverable from the taxation authority, in which case the item is recognised GST inclusive.

Agencies that are not able to recover GST relating to particular expenditure items should include a disclosure note indicating which items are inclusive of non-recoverable GST and amend the wording of specific disclosures to make it clear that the amounts disclosed are inclusive of non-recoverable GST. [AASB Interpretation 1031.6 and 1031.7]

Receivables and payables shall be stated with the amount of GST included. [AASB Interpretation 1031.8]

The gross amount of GST recoverable from, or payable to, the taxation authority shall be included as part of either receivables or other liabilities in the balance sheet. [AASB Interpretation 1031.9]

The GST component of cash flows arising from investing and financing activities that is recoverable from, or payable to, the taxation authority shall be classified as operating cash flows and will be included in receipts from customers or payments to suppliers, as appropriate. [AASB Interpretation 1031.10, 1031.11]

**True and fair override:** A complete set of financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the AASB's conceptual framework (the framework). The application of AASBs, with additional disclosure when necessary, is presumed to result in a complete set of financial statements that achieves a fair presentation. [AASB 101.15]

In the extremely rare circumstance when management concludes that compliance with a requirement in an AAS would be so misleading that it would conflict with the objective of financial statements set out in the framework, the agency shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:

- the title of the AAS in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the framework [AASB 101.23(a)]
- for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation. [AASB 101.23(b)]

#### **Going concern basis [AASB 101.25]**

When preparing financial statements, management shall make an assessment of the agency's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the agency or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the agency's ability to continue as a going concern, those uncertainties shall be disclosed. When the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason the entity is not regarded as a going concern.

# APPENDICES

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# APPENDIX 1: BUDGETARY REPORTING: EXPLANATION OF MATERIAL VARIANCES BETWEEN BUDGET AND ACTUAL OUTCOMES [RECOMMENDATION 47, PAEC REPORT REVIEW OF THE PERFORMANCE MEASUREMENT AND REPORTING SYSTEM]

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The requirements for budgetary reporting are detailed in AASB 1055 *Budgetary Reporting*. The Standard applies to the general government sector and the not-for-profit entities within the general government sector for year ending 30 June 20X2.

Where the entity's budgeted financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statement or statement of changes in equity) for controlled items are presented to the Parliament and are separately identified as relating to the entity, the entity should disclose for the reporting period:

- the original budgeted financial statement presented to Parliament, presented and classified on a basis that is consistent with the presentation and classification adopted in the corresponding financial statements prepared in accordance with Australian Accounting Standards
- explanations of major variances between the actual amounts presented in the financial statements and the corresponding original budget amounts.

Where the entity's budgeted financial information for major classes of administered income and expense, or major classes of administered assets and liabilities, is presented to Parliament and is separately identified as relating to that entity, the entity should disclose for the reporting period:

- the original budgeted financial information presented to Parliament, presented and classified on a basis that is consistent with the presentation and classification adopted to comply with AASB 1050 *Administered Items*
- explanations of major variances between the actual disclosed amounts in the financial statements in accordance with AASB 1050 and the corresponding original budget amounts.

Comparative budgetary information in respect of the previous period need not be disclosed.

## Additional guidance

This Standard is expected to have little impact for a majority of departments and entities, as the budgeted financial statements presented to Parliament are portfolio budgetary information that is not separately identifiable for individual reporting entities.

The explanations of major variances required to be disclosed are those relevant to an assessment of the discharge of accountability and to an analysis of performance of an entity, not merely focusing on the numerical differences between original budget and actual amounts. They include high level explanations of the causes of major variances rather than merely the nature of the variances. Furthermore, if revised budgets are presented to Parliament, even when there are no major numerical differences between the original budget and actual amounts, an entity might need to have regard to those revised budgets and include explanations for major numerical differences between them and actual amounts.

[\[Where applicable, entities are required to include the information illustrated in this Appendix in a note to the financial statements.\]](#)

## APPENDIX 2: INDEX OF ACCOUNTING GUIDANCE AND ASSOCIATED CHECKLISTS ON THE DTF WEBSITE

Supporting information on the Australian accounting standards is available on the DTF website. This incorporates accounting guidance and assessment checklists that were previously included in past editions of the Model report appendices.

These documents should be used as a general guide only and note there may be exceptions specific to the arrangements of the user.

The following table provides a summary of the supporting information available at: [www.dtf.vic.gov.au/financial-reporting-policy/accounting-standards-checklists](http://www.dtf.vic.gov.au/financial-reporting-policy/accounting-standards-checklists).

<i>Accounting standard</i>	<i>Title of the document</i>	<i>Summary</i>
AASB 10 <i>Consolidated Financial Statements</i>	Control analysis for Victorian Public Sector Entities – checklist	The assessment template assists users to determine whether an entity is required to be consolidated into another entity under AASB 10.
AASB 5 <i>Non-current assets held for sale and discontinued operations</i>	When to account for surplus assets as 'held for sale'	The document provides accounting guidance on the classification of surplus assets as 'held for sale', including a checklist to aid the assessment on whether the surplus asset meets the recognition criteria of 'held for sale' under AASB 5.
AASB 12 <i>Disclosure for interest in subsidiaries</i>	Interests in subsidiary and unconsolidated structured entities	The document provides guidance on the disclosure requirements for interests in subsidiaries and interest in unconsolidated structured entities under AASB 12.
AASB 119 <i>Employee Benefits</i>	Annual leave provisions	The document provides guidance on the revised requirements for short-term employee benefits under AASB 119, including an example illustration with calculation guidance,
Practical classification guide between transactions and other economic flows	Classification guide	The document provides guidance on the classification of items between transactions, OEF included in net result and OEF-OCI for presentation in the operating statement.
AASB 1059 <i>Service Concession Arrangements: Grantors</i>	Classification of Arrangements checklist	The Service Concessions guidance checklist assists with analysing whether a contract between the State and the private sector is a service concession arrangement under AASB 1059.
AASB 9 <i>Financial Instruments</i>	Guidance	The document provides accounting guidance on AASB 9.
AASB 16 <i>Leases</i>	Identification of a lease checklist	The Leases questionnaire assists users to identify whether a contract is, or contains, a lease.

<i>Accounting standard</i>	<i>Title of the document</i>	<i>Summary</i>
AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 1058 <i>Income of not-for-profit entities</i>	AASB 15 <i>Revenue from contract with customers</i> and AASB 1058 <i>Income of Not-for-Profit entities</i> – assessment checklist	The document provides accounting guidance on AASB 15 and AASB 1058.
	AASB 15 Enforceability checklist	For revenue to be recognised under AASB 15, the contract must be 'enforceable' and contain 'sufficiently specific performance obligations'. The checklist assists users to identify whether a contract is enforceable.
	AASB 15 Sufficiently specific performance obligations checklist	For revenue to be recognised under AASB 15, the contract must be 'enforceable' and contain 'sufficiently specific performance obligations'. The checklist assists users to identify whether a contract has sufficiently specific performance obligations.
	AASB 1058 Accounting for volunteer services checklist	Entities are required to assess their specific circumstances and use the checklist to help determine if they meet the requirements to recognise volunteer services.

These supporting documents for AASB 124 *Related Party Disclosures* are available at: [www.dtf.vic.gov.au/financial-reporting-policy/aasb-124-related-party-disclosures](http://www.dtf.vic.gov.au/financial-reporting-policy/aasb-124-related-party-disclosures).

<i>Accounting standard</i>	<i>Title of the document</i>	<i>Summary</i>
AASB 124 <i>Related Party Disclosures</i>	Declaration certificate for executives – The certificate for declaration of related party transactions in compliance with AASB 124	The document supports preparers' due diligence processes in the preparation of the related party disclosures under AASB 124.
AASB 124 <i>Related Party Disclosures</i>	AASB 124 <i>Related Party Disclosures</i> – entity management checklist	The document supports preparers in the preparation of the remuneration disclosures in the financial statements.